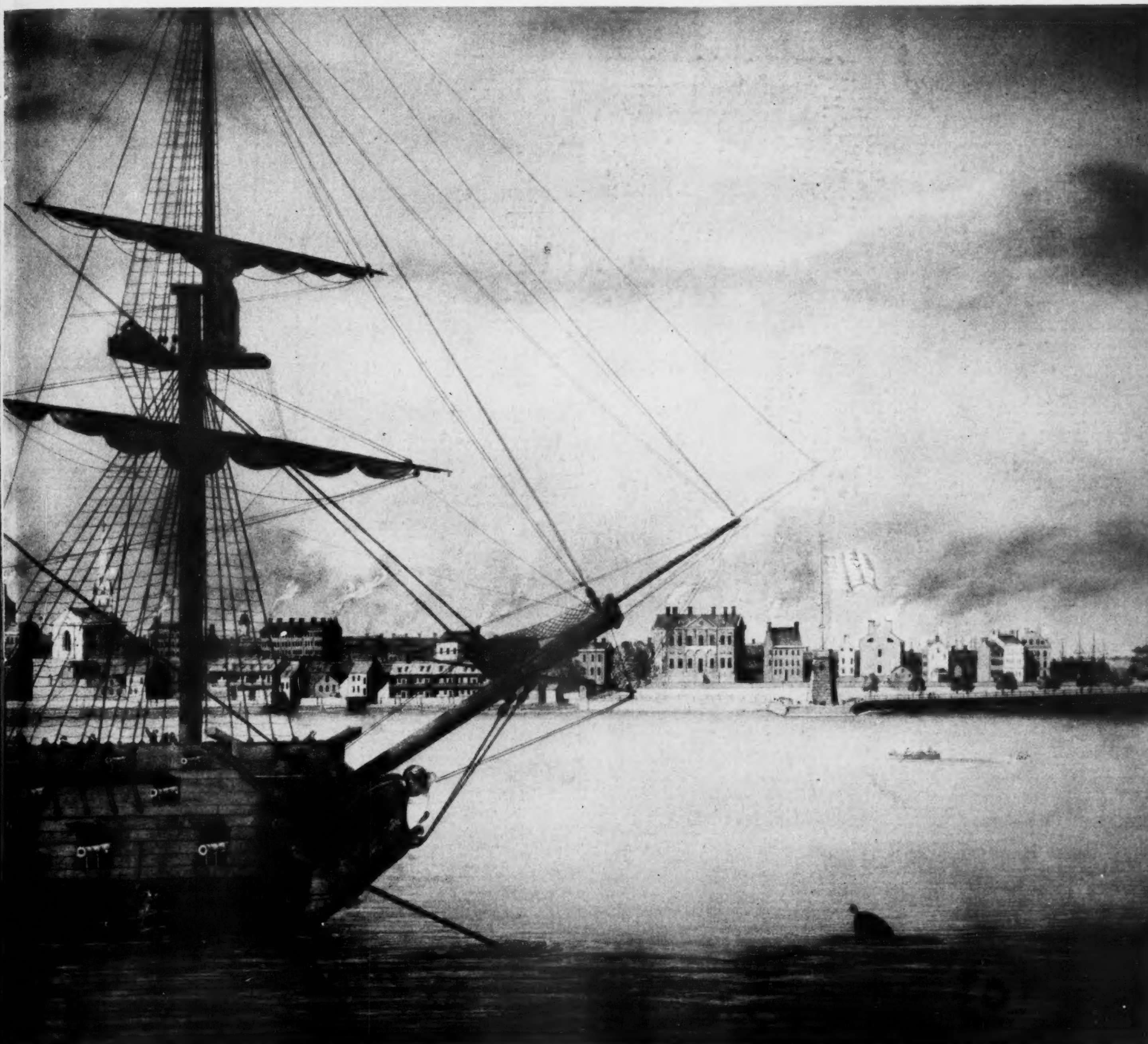
DUN'S REVIEW



1 of a series of Century old cities—New York

Published by
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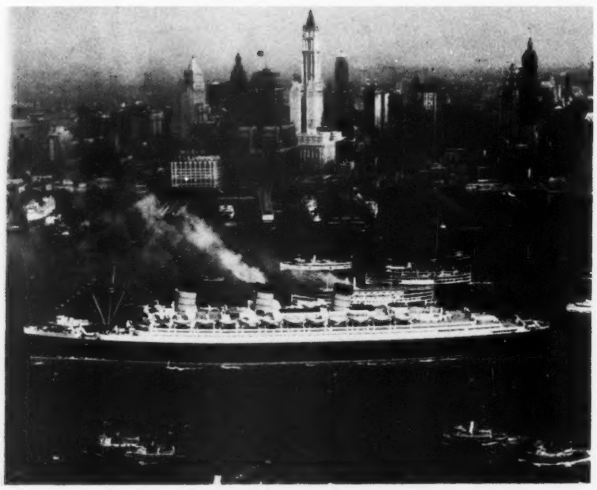


In 1794 when Archibald Robertson prepared the line engraving reproduced on the front cover, New York City was the State capital and only recently had ceased to be the seat of the national government. Trade had grown since the Revolutionary War, sometimes there were 100 vessels in the port. Some 60,000 people lived in the area where the city's 7,400,000 now live. . . . Part of the new Tontine City Hotel may be seen at the extreme left, with Trinity Church close by. To the right of the ship's mast is the upper story and the belfry of the City Hall on Wall Street. At the extreme right is the Battery, with the houses on State Street. At the north end of the Battery are seen the "Churn" and Government House. . . . This print, from the Eno Collection, is reproduced through the courtesy of the New York Public Library. The Library's copy is one of three known impressions of the engraving. . . . Both the front cover print and the 1936 photograph (above) show the Hudson River side of lower New York. The ocean liner is the Queen Mary on her first visit.

Gendreau

DUN'S REVIEW FOR FEBRUARY 1937

CONTENTS

Second cover photograph by Gendreau. Frontispiece photograph by Dudley Smith from Nesmith.

FROM THESE BEGINNINGS

The first mercantile agency in the world was established in New York City in 1841. In 1893, this institution, R. G. Dun & Company, added to its facilities for serving trade and industry by publishing a weekly magazine. *Dun's Review* served its readers through the publication of original statistical material and of surveys of business conditions.

In 1933 when the business of The Bradstreet Company was acquired by R. G. Dun & Company, that company's publication, *Bradstreet's*, was merged with *Dun's Review*. This publication, originally a weekly letter, had since 1879 been published in magazine form with much the same purposes as those of *Dun's Review*.

Soon after the combination of the two magazines, there was put into effect a plan that included monthly magazine publication supplemented by weekly news releases. Now, in 1937, the publishers announce an important change.

AN ANNOUNCEMENT

In the future each issue of DUN'S REVIEW will be distributed to substantially all commercial establishments and financial institutions extending mercantile credits throughout the United States, with an added circulation reaching representative bankers and merchants in Foreign industrial countries.

The fundamental purpose of the publication is to serve as a medium for the compilation and distribution of authentic information of a statistical and research nature; and the presentation, by means of contributed articles, of the opinions of men whose viewpoints or ideas may tend to provoke discussion among business men on subjects of current significance.

The tenor of these published articles in many instances may represent totally divergent attitudes on the same general subject expressed by men conspicuously prominent in various fields.

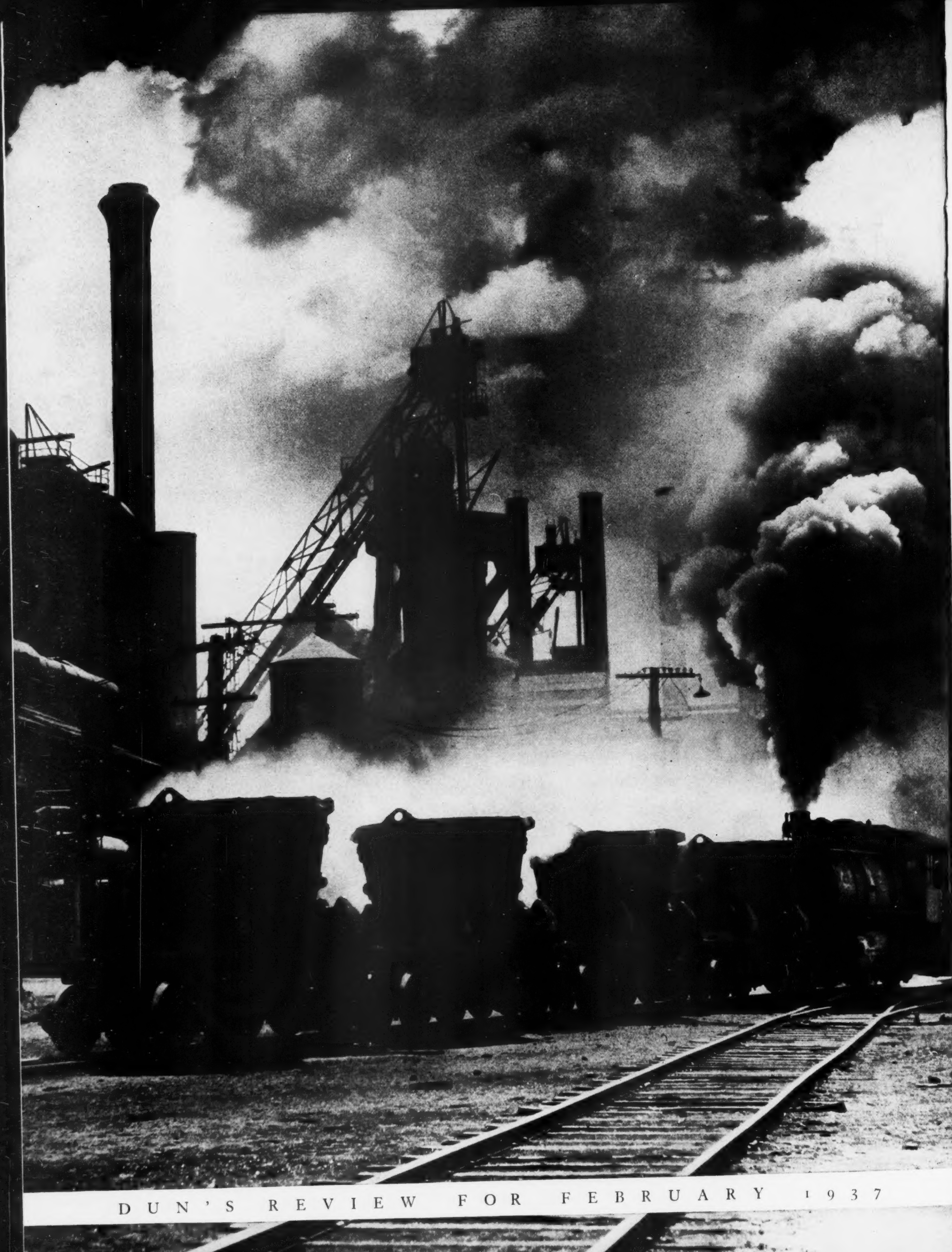
In its research and statistical reporting, the REVIEW will endeavor to emphasize material of basic importance. It will attempt to weigh the significance of various items in indicating the trend of expansion or contraction of business activity. It will present factors concerning business success and failure. From time to time, it will report on special surveys of business practices and policies.

The REVIEW will take no editorial position on current issues. Its editorial policy is that its function is to present information and discuss arguments impartially, leaving the conclusions to be drawn by the individual reader.

January 20, 1937.

A. D. Whiteside

A. D. WHITESIDE
PRESIDENT, DUN & BRADSTREET, INC.



Gendreau

BUSINESS FACES A NEW YEAR—AND A NEW WORLD

by RALPH E. FLANDERS
President, Jones and Lamson Machine Company

This is one of a series of articles by business men expressing their personal viewpoint regarding subjects of unusual importance to business. It should be emphasized that the purpose of this series is to present the diversified and representative opinions of men whose backgrounds and points of view have created decided, and often conflicting, convictions.

BUSINESS faces a new year and a new world, and knows it.

Seldom indeed has it been permitted that great social changes take place in such fashion that they are clearly seen by those contemporary with them. Such major events as the fall of feudalism and the industrial revolution were of such gradual development that they were seen clearly only in retrospect, by observers who had played no part in them.

In contrast, we have been privileged to witness the demonstration in dramatic form of a revolution in social attitude, aspiration, and purpose. The change is from the attitude of helplessness in the face of economic ills to one of inquiry and experimentation, and from aspiration for opportunity at any cost to one for a measure of security even at the expense of individual opportunity; there is likewise a determination that scientific, engineering, and industrial progress shall pay dividends now in stability of employment as well as in a rising but irregularly distributed and highly variable standard of living.

The dramatic revelation of this change came in the returns of the November election.

It is the belief of many business men, among whom the writer is numbered, that the new social purposes can be attained. They cannot be attained automatically, or even easily. It will indeed be a task of the greatest difficulty to translate aspiration and promise into performance. That translation cannot be made by the fiat of Business, Labor, Agriculture, or even of

Government. It can only be effected by sincere collaboration of all of these elements. In the way of this collaboration are difficulties both of will and of intelligence.

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WHAT ARE the social contributions that Business has made hitherto? In partnership with Science and Engineering, it has had at its disposal the most remarkable variety and extent of natural resources to be found anywhere in the world within the boundaries of a single nation. Its staff has been drawn from the most varied, ingenious, energetic, and conscientious working population which the earth affords.

With these advantages, American Business has developed the nation's resources to human uses, with much waste but with ultimate effectiveness. It has so organized production and distribution that even in depression the material circumstances of our citizens were superior to those of most other nations at the peak of their prosperity. Partly by social and governmental compulsion, but in still larger part by the innate decency of its leadership, it has made such social advances as the reduction of child labor from 1,000,000 in 1910 to 70,000 in 1930.

Above all, it has kept open the door of opportunity. In the industrial field leadership is not a perquisite of class, wealth, or ownership. Our system of diffused stock ownership, with all of its faults, does leave the way clear for ability to reach the highest office from the lowest beginnings. That process is in active operation today with a vigor undiminished through the changing years.

All of this Business has done, and would willingly continue to do. But there are some important responsibilities which it has failed to meet.

Over certain sections of industry and for considerable periods of time competition has been expressed largely in terms of low wages. While this has not been generally true, the evil has been of such magnitude as to give apparent justification for policies in organized labor and in government which affect innocent and guilty alike, and do not in all cases work in the interests of the whole body of workers. Business has failed to find a remedy for this evil in its own organization.

Business has likewise failed to find the means of stabilizing its own activities, with the result that crises of increasing magnitude affect millions of employees.

As one result of business instability, the lot of the worker has become one of increasing insecurity; and while a considerable number of responsible firms have made individual contributions toward the security of their employees, there has been hitherto little in the way of a concerted attack by Business on the problem of security.

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POLITICAL leadership likewise has important achievements to its credit.

It has expressed effectively the common purpose and desire of the people.

It has taken over the reins of power with a completeness that leaves no room for doubt—or, let us rather say, with little room for doubt. For we must make some reservations as we view the emergence of labor leadership as a mechanism of power rather than as a means of social justice.

In expressing the common purpose and in assuming actual power, political leadership has undertaken responsibilities never before laid upon it. These responsibilities, (which are for the security of our citizens, for a larger production and a wider distribution of goods and services) will be difficult of fulfillment. This is because they depend in great degree upon the detailed operations of Business; and these detailed operations Government is unfitted to direct, unless we are prepared to accept the totalitarian state, whether Fascist or Communist, in which all details are in theory and practice subject to arbitrary governmental control. To date, there is no experience available among other nations which makes so radical a change attractive to the intelligent American.

We are driven, therefore, to the conclusion that the results desired by our fellow citizens can be obtained only by cooperation between the major groups and the Government, each acting in the field in which it is most effective. Our concern at this time is particularly with the proper relations between Business and Government.

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BUSINESS must sincerely accept the social ideals which the election has indicated are the evident purposes of the American people.

It must be willing to examine with unemotional intelligence all the hopeful novelties in economics and

business procedure; for there is much difference between flying in the face of "economic law," and devising new mechanisms for operating within the law. Mechanical invention did not cease when the laws of mechanics were formulated. That was when invention began. Successful economic invention, perchance, has but just begun.

It must separate itself from that element which is not "business" in any true sense of the word, but which lives by pure speculation and parasitism. If Business can learn to discriminate between the two, and will resolutely determine to cling to the one and to forsake the other, many evils will be mitigated; and with that mitigation there will disappear all reasonable excuse for repressive measures which now handicap real Business and all who are employed by it. The business of Business is to produce and distribute goods and services in ever greater quantities, at prices ever lower as compared with wages, to an ever greater number of people. In measure as it succeeds in this task and spurns parasitism, in this measure will it deserve well of the American people and of their Government.

It must develop statesmanship rather than narrow opportunism in dealing with labor relations.

Business statesmanship must be exercised in detail by the establishment to the fullest possible degree of personal contact between employer and employee, with opportunity for the presentation of mutual problems and aspirations.

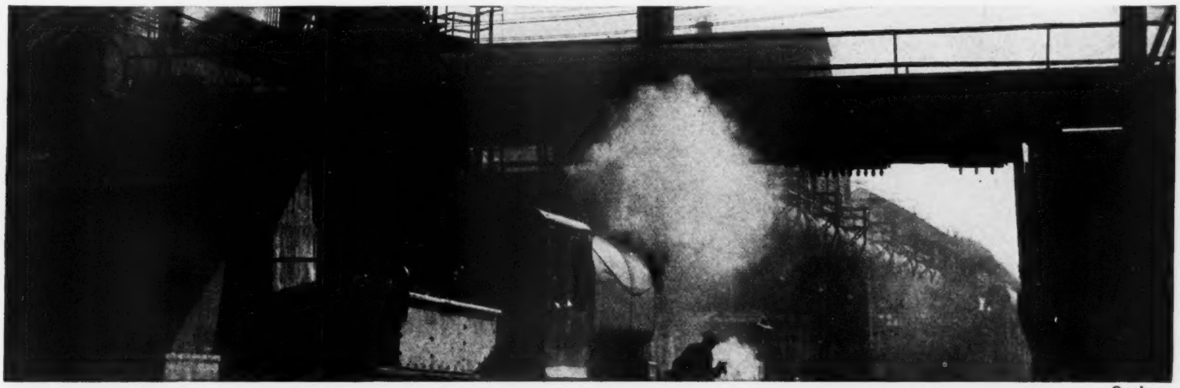
GOVERNMENT on its part has likewise new duties and new opportunities.

It must learn, not superficially but deeply and instinctively, that material well-being comes from increased not restricted production, and that fruitful leisure with increased consumption can be attained only by an increase in the use of "labor-saving" machinery and management, not by restricting them. The real problem lies in better social organization, rather than in slipping backward down the trail of industrial progress.

Government must wisely encourage saving and investment which is directed toward these social ends, instead of preventing on the one hand our industrial organization from accomplishing that which it is peremptorily demanding on the other.

Government must be jealous of its rightful prerogatives, and permit the assumption of governmental functions by no rival power outside of the authorization of the ballot. This restraint by Government is obligatory, whether widespread, extra-governmental power is sought by Business labor leaders, or any other organized group.

THE progress of the coming year must be toward statesmanship in all fields—in Labor and in Business as well as in Government. Only if we can attain some measure of statesmanship as yet unattained can we hope to fulfill the desires of the people of this nation. The development of this statesmanship is a fascinating problem. The opportunities for resulting achievement are beyond accounting. For these reasons, the privilege of living in America in 1937 constitutes an opportunity unparalleled in human history.



Gendreau

BUSINESS BIRTHS AND DEATHS

by WILLARD L. THORP *and* WILLIAM A. ROTHMANN

EVERY business day, on the average, 1,292 new industrial and commercial enterprises open their doors in the United States. Of these, 501 succeed previously existing enterprises and 791 are completely new ventures. At the same time, 1,142 enterprises pass out of the picture, leaving a net increase in the business population of 150 concerns for each day.

These amazing figures are the result of a special research project by the DUN & BRADSTREET Research Division. During the first six months of 1936, there was carefully scrutinized every business report concerning the two million enterprises in the United States which the Agency keeps under regular observation.

Nearly half a million separate business changes were analyzed and tabulated. During that period, the total number of business deaths finally recorded was over 176,000 and the total number of new enterprises eligible for birth certificates approximated 199,000. Even the process of reincarnation is part of the picture, for these figures include over 77,000 cases in which the new enterprise was a direct succession to a concern that had previously disappeared. In addition, there were over 16,000 cases involving only a change in name but no alteration in ownership or structure.

These changes do not pretend to cover the entire economic system, but rather the types of activity which DUN & BRADSTREET observes. In general, these include industrial and commercial enterprises, but exclude financial institutions including banks, railroads, professional enterprises, such as lawyers and doctors, farmers, and other similar types of activity not ordinarily concerned with commercial credit in the accepted sense. The large chains appear as single enterprises, the individual outlets not being listed separately.[1]

Inasmuch as the number of companies under specific observation during this period averaged almost exactly 2,000,000 it is possible to make some estimates as to the annual rate of business enterprise turnover. Using the six months' record as a basis, it is easy to compute that the annual birth rate of enterprises must be 19.9 per cent, the annual death rate 17.6 per cent and the annual rate of increase in the business population 2.3 per cent. In these percentages of birth and death are included the 7.7 per cent classed as successions, or reincarnations, to continue the vital statistics metaphor.

[1] Because the listing of haulage, bus, trucking, and taxi companies was specially improved and extended during the period, these enterprises were excluded from the tabulation, although falling within the area now regularly covered by the Agency. . . . It should be noted that the six months' period refers to the dates of the DUN & BRADSTREET reports. It is not, therefore, strictly accurate to regard these as the vital statistics for that exact period, but to a considerable degree, errors from a statistical point of view would be compensating.

May, 1929, Was the High Point

This population increase of 2.3 per cent during the first half of 1936 is of unusual significance at this time. The business population of the country in the so-called DUN & BRADSTREET area described above had steadily increased for decades, reaching its peak in May, 1929, with nearly 2,215,000 commercial and industrial enterprises in existence. During the next four years, there was a net loss of almost exactly one-quarter of a million names. In March, 1933, the population stood below 1,960,000, a decline of 11.5 per cent.[2] This was its low point in recent years.

During the last half of 1933, the total number of enterprises increased rapidly by about 25,000. However, the net gain for the years 1934 and 1935 was very slight; in fact, there even was a small decline from January, 1935, to January, 1936. Against this background, the 2.3 per cent increase recorded during the first half of 1936 is worthy of note, especially since there is usually a seasonal decline during this period of the year. By the middle of 1936, the number of commercial and industrial concerns had recovered up to the level previously established in 1924. Preliminary estimates indicate that the last half of 1936 will show an even larger gain in the business population, probably falling between a 3 and 4 per cent annual rate.

During the first six months of 1936, there were 5,673 cases reported of commercial failures and of applications for

[2] During this period, two opposite influences in the DUN & BRADSTREET organization may have influenced these figures to an unknown, but probably relatively unimportant extent: first, a more rapid elimination of disappeared concerns from the active list; second, a more complete coverage in certain borderline types of economic activity.

RELATIVE CHANGES IN ENTERPRISES BY INDUSTRIAL DIVISIONS

(Data for first 6 months of 1936)

	New Concerns (Base)	Successions	Net New	Net Out *	Gain
		(Proportionate to Number of New Concerns)			
Manufacturing	100	32	68	56	12
Wholesale	100	32	68	48	20
Retail	100	41	59	49	10
Construction	100	25	75	51	24
Commercial Service	100	38	62	59	3
Total	100	39	61	50	11

* The net out figure is obtained by deducting the number of successions from the total outs. This is not strictly accurate, since the successions are recorded when the new enterprise is formed. However, if one assumes a fairly uniform rate, then the discrepancy between successions on the birth side and on the death side will not be great.

reorganization under Section 77-B of the New Bankruptcy Act. Since the total disappearances were over 177,000, it is obvious that for every case which dies with legal formality, there are 30 which fold up quietly and withdraw from the scene without special court protection to creditors. Even when the successions are eliminated, and these vary all the way from the purchase of a store by an individual to the incorporation of a partnership, and only the net disappearances are considered, the failures still represent but a fractional part, the ratio then being 1 to 18. The failures record can be taken as an indicator of serious business difficulty, but it obviously must not be used as an absolute measure of business deaths.

The Percentage Record

Later reports will analyze these business changes in greater detail by trade and industry groups. In the general summary, however, it is important to indicate at least the broad areas in the economic system wherein these births and deaths occur. The record, in percentages, is as follows:

DISTRIBUTION OF BUSINESS BIRTHS AND DEATHS BY INDUSTRIAL DIVISIONS
(Data for first 6 months of 1936)

	New Enterprises (199,000)	Disappearances (176,000)
Manufacturing	10.3	10.2
Wholesale	5.5	5.0
Retail	73.9	74.5
Construction	4.6	4.0
Commercial Service	5.7	6.3
Total	100.0	100.0

The distribution of total births and deaths by industries seems to correspond with general impressions as to their relative importance in the total, when measured by number of enterprises. In every group, the new enterprises exceeded the disappearances, although for commercial service, the margin was slight. Retail trade, accounting for nearly three-fourths of the total, obviously dominates the record. The exact significance of the construction figures is somewhat confused by the character of the industry itself, with its many in-and-out operators, now working as independent sub-contractors and now as skilled laborers in some one else's employ. Commercial service also is a less exact area. However, despite the boundary problems of these two, the Agency has long-established policies in both which provide some degree of consistency for comparing their births and deaths.

Photos by Gendreau, Galloway, and Globe

The variation in the behavior of the vital statistics records among the major industrial divisions is indicated more fully in the table on the opposite page, based upon rates in terms of 100 new concerns in each group.

Two-fifths Are Successions

Of every 100 new concerns, 39, or about two-fifths, are successions, but the proportion varies somewhat among the different industrial groups. The extent to which the new concerns are successions is much higher in the retail field than any other, and lowest in construction.

The actual proportion of the new concerns which contribute to the net gain in enterprises is highest in construction, followed by wholesale trade. Retail trade, although it accounts for 69 per cent of the total net gain, has a more nearly balanced ratio of births to deaths. Commercial service reported a very small ratio of births over deaths.

These general figures present a picture of continual change within the economic system. However, the turnover rate is not to be taken as a measure of the degree of disturbance caused by these population shifts. A large part of these births and deaths are very small scale enterprises. The large enterprises seldom actually disappear, although their ownership and control shifts continually, as stock is bought and sold,

(Continued on page 46)

LISTING 20,000,000 WORKERS FOR OLD-AGE BENEFITS

by HENRY P. SEIDEMANN

Director, Bureau of Old-Age Benefits, Social Security Board

THE feasibility of establishing an individual ledger account for each worker covered by the Federal old-age benefits plan is rapidly being demonstrated by the Social Security Board with the assistance of other Federal agencies. The Board is completing final phases of setting up the initial records with every indication that the work will be finished on schedule.

Over 22,000,000 American wage earners had completed applications by January 1 in order to participate in the Federal old-age benefits plan. Most of the field work necessary in the program had been completed by that date. Headquarters work has kept pace with field operations; accounts have been established for individual workers by orderly, mechanical processes as applications were received from the field. Already the Board has put into effect preliminary phases of the program to maintain a record of wages on each account.

Employers having employees engaged in occupations covered by the old-age benefits program are to report the earnings of each covered employee every three months, except for the initial report which is for a six-month period. The amount paid to each wage earner will be taken off these reports and posted to his account. When the wage earner is 65 years old the amount of his old-age benefit will be determined, basically, from the total wages which appear on his account.

The information required for each employee goes easily on one card. Twenty million such cards, however, will fill thousands of mail-sacks. The mere checking and sorting of such masses would consume a vast amount of time unless carefully planned. Experts of the Social Security Board spent months in devising the quickest and most accurate methods of handling the applications. The details of distributing and collecting forms were worked out as carefully as was their mechanical manipulation when complete.

Account Numbers Assigned

Each employee account is simply a sheet of paper with the name and account number of the employee at the top. So many of us have the same name, however, that care must be taken to distinguish between the various John Smiths. Each employee, therefore, is asked to state the date and place of birth, the names of both parents, sex, race, and present employer. This information is held in strict confidence, and used only to identify accounts. In the Social Security Board office, this information is ample to distinguish one account from another.

However, whenever an employer reports that he paid John Smith $127 in the past quarter, the Social Security Board must know which John Smith is meant. Smith and other employees would not want to tell their employers every month the dates of their birth and the names of their parents. Their employers would not want to clutter up their pay rolls with all that information. An obvious alternative is to give a number to each employee account. This plan has been adopted, so every employee will be furnished with an identification card, bearing the number of his account. This number is given to the employer who will put it on all reports of earnings which he subsequently renders. It will identify the employee's account when the employer's report reaches the Social Security Board.

The program of setting up employee accounts, therefore, was built around the assignment of these numbers. Employees were requested to fill in an "Application for Social Security Ac-

Acme Photos

LEFT: *Copies of Form SS 5 are received from post offices all over the country.*

CENTER: *Punched cards are checked against applications and errors corrected.*

RIGHT: *Two shifts of 300 key punch operators punch the master cards.*

count Number." It was decided to set up an account for each application. This seemed the simplest possible method of preparing records. Even with so simple a system, however, the magnitude of the task created problems.

Setting Up Accounts

The actual setting up of employee accounts is carried on at the Wage Records Office of the Social Security Board in Baltimore, Maryland. This office is in the Candler Building, a big factory-type concrete building. Each of the two floors occupied by the Wage Records Office contains 42,000 square feet of useful floor space. For purposes of efficiency in an operation of this nature, partitions are few. A "straight-line" production system is used, so far as it is applicable.

Employee applications began to pile into Baltimore on December 1. Hundreds of mail-sacks full arrived every day. By December 20, there were about 10,000,000 employee applications on hand with another 12,000,000 still in the typing centers. The sacks were emptied on large tables and from there sorted as to point of origin and placed in holding files. As soon as a "block" of 1,000 consecutive numbers was assembled, it was started through a definite set of mechanical operations.

These operations were based on the fact that information can be recorded on a "punch card" by punching holes through it as well as by printing the information on paper. When such a card is properly punched, machines can reproduce the information in print more quickly than any human can copy it. In the machine reproduction, moreover, there is no chance of the errors which human copyists make. For multiplying records, man has devised machines which can do the work better than man himself.

At the Baltimore office, therefore, plans were laid to make one accurate punch card, called a "master name card," for each employee account. Individual ledger account sheets and other records are reproduced from this basic record. Each master name card contains the name, number, and other identifying information for one employee. This information can be printed automatically across the top of the ledger account sheet, which will then be ready to receive the data on the wages of that employee. Numerical and alphabetical indexes to the employee accounts will also be printed from the master name cards. Finally, a duplicate set of "actuarial" punch cards will be prepared from the same master name cards for use by the statisticians.

Since the handling of so many cards is a vast labor, this process is carefully systematized and divided into nine operations. Each operation is carried on by a different group of personnel. Each block of 1,000 cards is carried completely through one operation, then passed on as a unit to the next group of workers.

The first two operations are merely preliminary:

1. Control is established, and control cards made out.
2. Applications are checked and coded.

The next three operations complete the master name cards:

3. Master name cards are punched, individually.
4. Gang punches and interpreters complete the master name cards.
5. Punched master name cards are checked against the original applications.

The four last operations print the permanent records automatically from the master name cards:

6. Actuarial cards duplicated.
7. Numerical index printed.

8. Ledger record cards printed.
9. Alphabetic index printed.

"Control" of this process is established to keep the flow of cards even and to let the persons in charge know where further personnel will be needed. As soon as each block of applications and Form OA-702 is assembled, a set of ten "control cards" is made out for the block. One is a master control card which indicates that the block has started on its journey. The other nine correspond to the nine operations. They accompany the block on its travels, enclosed in an envelope. As each operation is completed the control card pertaining to that operation is removed from the envelope, dated and initialed by the supervisor, and returned.

As such cards come in, they go into a visible control rack. This is simply a wooden box with ten tall compartments. Each compartment is three and one-half inches wide and three feet high. The first is for the master control card and the other nine for the control cards for each operation. The control cards are placed in the compartment indicating the particular operations to which they have progressed, so that the persons in charge can tell at a glance about how much work is in process in each of the operating units. For an exact report, however, they will have to use sorting machines and tabulators to count the control cards in each compartment. Each compartment will hold about 4,000 cards, representing 4,000,000 names in process.

Applications Coded

Applications are checked and coded in the next operation without machinery. Two or three clerks take over each block of 1,000 applications. In checking, Form OA-702 gets a final comparison with the original application. Coding reduces each surname to a three-numeral symbol. Vowels are eliminated, and all similar consonants, such as b, f, p, and v, are represented by the same numeral. This arrangement has been found most convenient for alphabetic filing because it neutralizes mistakes in spelling. After coding, the information on Form OA-702 is ready to be punched on the master name card.

Name Cards Punched

Each master name card is punched individually on a key punch. The process resembles typing, except that when a key is struck it punches holes in a card instead of printing a letter on paper. Three hundred key punches are assembled in one big room at Baltimore. This is one of the largest single installations of these machines on record. They look something like sewing machines with a typewriter keyboard wired on. The operators are specially instructed typists. They take Form OA-702 and translate its information into punches in a card about seven inches by three. Two shifts of 300 operators each are required to keep up with the more mechanical processes which follow the original punching.

The card, when punched, is the basic master name card. It is slightly larger than an ordinary cheque, and is printed on stiffer paper. It is read horizontally, by means of punch holes in numerous vertical columns. Each column represents one letter or numeral, and the location of the punch-holes indicates which letter will be printed. Once the punch-holes have been completed and verified they will actuate special machines in:

1. Sorting the cards into any order desired;
2. Reproducing the information in print on any surface;
3. Reproducing duplicate cards with the same punches; and
4. Comparing the master name cards with other punch cards which contain the same information.

All the necessary lists can be made up by a combination of these processes.

After the individual information has been put on each master name card, it still needs certain serial numbers which are common to the whole block of 1,000 cards. In addition, before it can be read, it must have the name of the employee and the number of the employee's account printed on it. These finishing touches are supplied in the next operation by means of "automatic gang punches" and "automatic interpreters."

Both these machines "read" the cards by means of a series of electric brushes. Stacks of cards are fed into each machine. Each card passes over a metallic roller just as laundry passes through a mangle. The electric brushes are "set" on certain columns on the card. Whenever the brush reaches a punch-hole it makes an electrical connection with the metallic roller. The point at which the connection is made governs the punching, printing, or comparing mechanism with which the machine is equipped.

Under the direction of the electric brush the gang punch makes the holes which are common to each block of cards. The operator can check the accuracy of the punches by holding each completed stack up to the light and looking through the uniform holes.

Automatic interpreters print the name of each employee and the number of the employee's account across the top of his master name card. For this process a series of type-bars are set

One corner of the file room where the records of workers' names and account numbers are filed.

Acme Photo

up vertically. Each bar carries a whole alphabet. The height at which each bar is set determines the letter which it will print. The electric connections made through the punch-holes determine the height of the bars for each imprint. The peculiar ingenuity of this machine is that it prints on the same card that its brushes are "reading."

One interpreter can print about 50 cards a minute. The gang punch can finish 100 a minute. They are operated together in units of three, two interpreters to one gang punch, with one operator to manage the set. It is estimated that only eight such units will be needed to keep up with the 300 key-punches.

Master Cards Checked

As a last check on errors, the completed master name cards are checked against the original employee applications. This method of checking insures agreement of the master name card with the signed application of the employee. The original applications are then filed. The information on the master name cards has been reduced to a series of neat, indelible, punch-holes. From these the data on the cards can be reproduced automatically at any time, without errors, and in a fraction of the time needed to copy it by hand.

After the master name cards are completed they are used to set up the permanent records. The first record "set up" is a complete set of duplicate cards. These are called "actuarial" cards because the statisticians will use them for their actuarial studies and other computations. Soon, for example, it will be necessary to arrange these cards according to the ages of the employees. Lists can then be printed of those who become 65 years old in 1937 and succeeding years. This will facilitate paying their benefits when due. Lump-sum benefits, equal to $3\frac{1}{2}$ per cent of total wages, will be payable from 1937 on. Monthly benefits will begin to be paid in 1942.

Acme Photo

From the punched master cards, alphabetic tabulators automatically print lists of wage earners and account numbers at 80 lines a minute. The same machines make up the ledger record sheets.

The simplest record established is a numerical index of the master name cards. It is called the "Register of Employee Accounts," and is printed on large sheets of paper. The sheets will be bound into books for ready reference.

The machine which does the printing is called an alphabetic tabulator. Like the automatic interpreter, it "reads" cards by means of electric brushes and prints information by means of vertical type-bars. These bars stick out of the top of the machine like the skyline of New York City. Cards are fed in below, and the bars shoot up or down with each new connection. Eighty lines a minute are printed in this operation.

Ledger Record Sheets

The same alphabetic tabulating machine is used to head up the ledger record sheets on which employees' wages will be recorded. This is the central operation of the whole process, but it is no more difficult than printing a numerical list. The master name cards are fed into the alphabetic tabulator. The name and number of each employee is printed across the top of a sheet 11x7 inches. It is estimated that some 28 sheets can be headed up in one minute. The ledger sheets are filed away in numerical order, ready for the periodic posting of wages.

It may happen that some employee will write to the Board about his account, but will not give the number. An alphabetic index will then be required to locate his account. This will be prepared from the actuarial cards since they need not be kept in numerical order.

Rearranging over 22,000,000 cards from numerical to alphabetical order is no simple undertaking. Horizontal sorting machines are employed for this purpose. They are low machines, about the size and height of a xylophone. They consist of twelve compartments with the inevitable roller and electric brush at one end. A sheaf of thin steel

(Continued on page 45)

HAVE MERGERS BEEN SUCCESSFUL?

by SHAW LIVERMORE

Associate Professor, School of Business Administration, University of Buffalo

BUSINESS men, only slightly interested in business history as such, have nevertheless been eager to know more about the great merger period centering around 1900. At the very least, they have known of "Trust-busting" a la Roosevelt, and of the personalities of Rockefeller and the elder Morgan.

The present generation has paid less attention to this intriguing topic than their fathers only because the war period and later depression experiences have brought with them many new problems and difficulties. But of all episodes in American business history, the period from 1897 through 1905 has perhaps as many object lessons for business today as any other. Its shadow still affects men's thoughts and attitudes, in the political world as in the world of business.

We are often told by "defenders of the people" that there are monopolies ready to pounce upon the poor consumer at the least opportunity, and that the trend is all toward an increase both in number and the power of these organizations. Leaders who make such statements are attempting to recreate the spirit that prevailed in 1906 or 1910; often their formative years fell in that hysterical trust-busting decade.

Today's Viewpoint

Those who make such statements, furthermore, fail to understand that sentiment among business leaders favoring large-scale mergers is far from unanimous today, whereas forty years ago there was hardly a dissenting voice in the chorus of belief in the Rockefeller prescription for business success. Even those men who in 1899 or 1901 did not selfishly seek profits through mergers were extremely pessimistic as to the possibility of small enterprises remaining in competitive existence except in remote corners of the business world. The Marxian forecast of "bigger and bigger" never seemed to be nearer realization. The united will and belief of the business community was behind the tendency to consolidate.

Today this is far from true. It has clearly been demonstrated that small businesses can and will survive against large-scale competition. Many lines of endeavor—woolen production, women's clothing, machinery manufacture, shoe manufacture—immediately come to mind as examples. Bankers and business leaders of today are very much "from Missouri" when a merger is presented to them for support or approval. This healthy difference of opinion, and the demonstrated unwisdom of large-scale operation in many fields, are the real bulwark we have against the dragons of monopoly.

Economic Law Governs

As a result, it is pretty generally taught and realized today that the large scale of operation is desirable only in specific industries. The truth is that those who write—or roar—about the growing trend toward concentration of control in every branch of business are a generation out of date. In many important industries their business value is recognized, although our political heritage demands that we provide some reassuring method of controlling them. In other directions business men are just as quick to defend the small unit as demonstrably superior in efficiency. In still a third group of industries units may be fairly large so far as financial control is concerned, but there must be a fairly definite limit upon the extent to which the actual scale of production may go, lest the turn to a condition of increasing unit costs be reached.

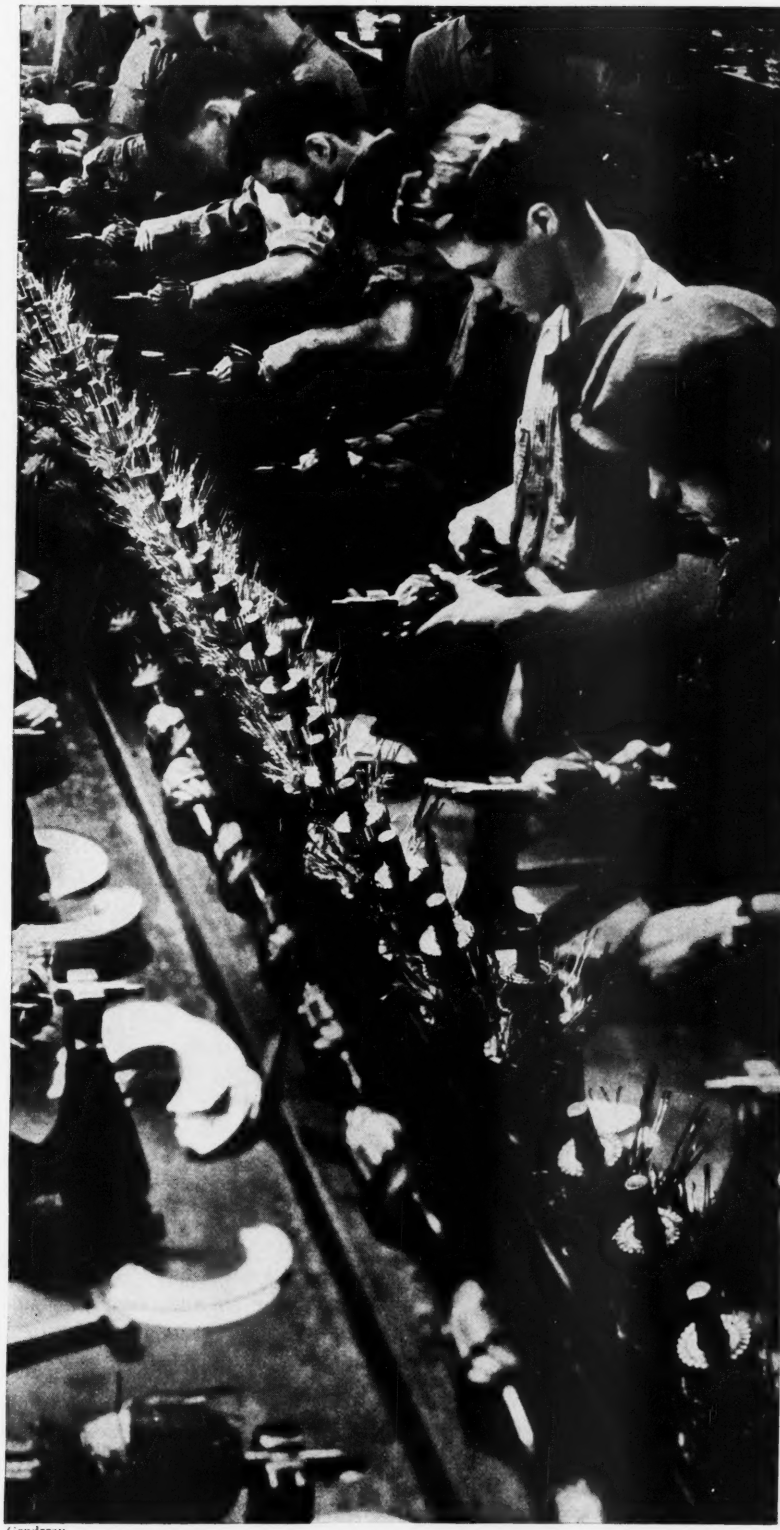
Economic law and not political dragon-slaying has created these differences and has made the formula of pass-a-law-and-cure-the-evil seem particularly inept when applied to the problem of "control" over business size.

But in their praiseworthy anxiety to make clear this somewhat complicated situation affecting mergers in the business world of today, many writers have been over-zealous in their effort to establish the conclusion that large-scale, inclusive control of different industries has been not only politically dangerous but actually unprofitable. The supposed fact that those mergers which were actually consummated in the great 1900 period have turned out miserably has been their chief ammunition.

Triumphantly, it has been claimed that the predictions or beliefs of those who promoted that great crop of industrial mergers turned out to be far wide of the mark. Professor Dewing has especially stressed this failure of promoters' brain children to measure up to their foster-parents' advance billings. This is really a criticism which need excite us no more than a comparison of politicians' platforms with their performance.

Other Studies of Mergers

About a decade ago the National Industrial Conference Board, recognizing the wide interest among business men in this controversy, made a somewhat broader study of the available historical data, but reached roughly the same conclusion as Professor Dewing. It studied the history of approximately fifty mergers as reflected in the prices of their stocks, and made some analysis of their effect upon their respective industries in so far as prices, leadership, research, and other such evidence might reveal. The conclusions of the Board, although tempered somewhat from the vigorous assertion of Professor Dewing,



Gendreau

was nevertheless pessimistic about the profits of mergers, although their effect on prices and costs was apparently beneficial. Many lesser investigators have made some statistical analyses pointing to the same conclusion, but in most cases the lead of Dewing has been closely followed in any statements about the careers of the 1900 mergers. Only one observer, Professor Mead of the University of Pennsylvania, has ventured to advance tentatively the opposed view—that mergers were relatively more successful than their independent brothers. In all these instances, the studies did not extend beyond 1915 or 1920.

Let's Look at the Record

So long as we have the political problem of controlling mergers and of developing the proper policy toward them, no comment on their history can be entirely out of date. Nor can the business leader interested in the perennial problem of expansion and merger neglect any new material which may come to light. Perhaps mergers have been profitable, successful—and well-behaved, despite the political thunderings and the economists' antagonism.

What then has been the actual business record over thirty or more years—somewhat more than a generation—of a representative group of the hopefully-launched mergers of 1900? To answer that question better than it has heretofore been answered, the period examined should include the depression period, not just the pre-war era or the first ten or twenty years of their existence. Neither should the conclusion be based on the performance of a hand-picked group of a score or more of the publicized companies—those which drew down upon themselves enough public opprobrium to enter the select circle of super-mergers known as "trusts." To answer the

Whether mergers and large-scale operations will be profitable depends upon the industry. . . . These men, manufacturing generators for Ford cars, are in a small plant in Ypsilanti, Michigan.

question from the standpoint of the business man interested in the proven wisdom or unwisdom of the merger idea, with all its implications, necessitates the use of a much larger sample.

To make such a broad and thorough answer, the early records of 409 companies were laboriously examined. They were chosen as being fully representative of the merger movement which got under way slowly in the late eighties and was in full swing by 1897. By 1903 enthusiasm had cooled and the number of new projects dwindled sharply. Getting on the trail of these 400 cases was easy, because numerous writers had compiled chronological lists of the new undertakings; John Moody's compilation for his "Truth About the Trusts," published in 1905, was the most comprehensive. But to find out definite facts about each of the 400 was much more difficult. The records of the Scudder Library at Columbia University proved to be the best source of information.

More than 70 of the 400 companies were dropped from the study, because upon examination they proved to be anything but "mergers" in any legitimate meaning of that word. Curiously enough, the statistical totals of many commentators have been padded for a generation because no one had dug into the real nature of many projects which had put forth imposing names, but were not deserving of inclusion. One group so excluded were English or Canadian; others were simply not the result of merger, though their titles sounded so; and others were simply local absorptions with no significance in a national merger movement.

Of great importance for the results was the division of the total number of important mergers into primary and secondary groups. The 156 concerns in the primary group included all of the approximately 75 more famous companies which had been examined by other students, plus a number whose earnings records were known but had not been included in any prior survey. But the secondary group was all new material, and served to broaden immensely the statistical basis upon which conclusions can be based. Nor were the companies included in the latter group necessarily secondary in importance in their own industries. On the contrary many of them, formed frankly to increase control in a given industry, are or have been prominent leaders in recent years. Continental Gin, Creamery Package Manufacturing, Pacific Coast Biscuit are examples. They were in general smaller in size and engaged in less important industries. Less detailed study was given them, but sufficient evidence was compiled to permit of dividing them into categories of success and failure.

PRIMARY GROUP OF INDUSTRIAL MERGERS, 1888-1905

	Number		% of Total	
1. Early Failures	53		32.6	
Later Failures	10	63	6.1	40.4
2. "Limping" Group		17		10.9
3. Successes	56		35.9	
Rejuvenations	10		6.4	
Outstanding Successes	10	76	6.4	48.7
Total		156		100.0

SECONDARY GROUP OF INDUSTRIAL MERGERS, 1888-1905

	Number		% of Total	
1. Failures		78		45.3
2. "Limping" Group		11		6.4
3. Rejuvenations	3		1.8	
4. Successes	80	83	46.5	48.3
Total		172		100.0

How the Analysis Was Made

By the use of earnings records over thirty years or more, it was possible to divide the total number of companies —328—into four categories. "Successes" and "failures" were two obvious divisions. It was clearly necessary to add two others in order to assess fairly the performance of such a large and diversified sample. "Rejuvenations" were those which had gone through a period of stress, low earnings, changes in management, but which had been clearly successful in recent years. "Limping" units were those with short periods of good or even brilliant results, offset by losses at other times, usually in later years. The former were akin to the successes, the latter to the failures.

Outstanding successes were those concerns which have been not only successful by the test of earning power, but were separated because their leadership in research and in progressive management over the thirty-year period has been outstanding.

The accompanying table shows how the two groups of mergers classified under these headings. About half of these combinations formed between 1888 and 1905 are now successful.

"Success" means little without statistical confirmation. An examination of the earnings rates of 49 of the successful companies in the primary group showed that not only were they successes in the pre-war days, but have measured up to the accepted standard of industrial success since 1919. This is a large sample, more than one-third of the total number of successful

(Continued on page 47)

KNOW YOUR EXPORT TERMS

by A. O. STANLEY
Foreign Division
DUN & BRADSTREET, INC.

SINCE 1932 when the average American exporter first poked his head out of the door cautiously and saw that the storm actually was subsiding, courage has replaced doubt. In the past four years, ventures in the foreign field have become less motivated by an effort to find new sales areas to replace shrunken domestic outlets, and more by a desire to consolidate and expand gains in both fields.

Paradoxically, to this seeming daring to spread sales horizons by turning to markets over-seas, there has been coupled a business-like conservatism—a desire to eliminate the uncertainty surrounding foreign credit risks. Evidence of this is found in the increased number of credit inquiries.

To no small extent this situation has developed through larger export orders being received on every hand and the need for encouraging this increased business, but still keeping it within conservative bounds. Until lately, little attention has been paid to the one fact that, by judicious use of export credit terms, it is entirely possible to make foreign shipments and not hold one's breath until the remittance has come in.

It is doubly unfortunate that too frequently business men with export orders thrown on their desks have been prone to check these on the same standards and with the same terms as those used on domestic accounts. Result—litigation and loss—with the advantage all to the foreign buyer.

This has brought into existence two schools of thought, each traveling in opposite directions. The first will check an export order on open account after cursory investigation. The other stubbornly refuses to have anything to do with foreign customers except on secured terms, invariably falling back on such terms as cash with order, letter of credit, sight draft documents against payment, or some other variant of the C.O.D.

If the first group pays not enough heed to the fundamental credit risk involved, the second is as heedless in ignoring the sales and profits that are turned aside by inflexible credit policies. Frequently enough, the exporter finds himself traveling with great rapidity between one extreme and the other. A bad case of the jitters develops and either he swears off the export trade entirely, or decides to find some happy medium. It is then he finds that it has been close at hand all the time.

The answer is that foreign commercial laws differ from our own, making it necessary to use a different set of credit instruments. These instruments (bills of exchange in distinctive forms) can meet practically every credit condition and are suitable for any type of account. They offer the foreign customer the reasonable credit facilities to which he is entitled, and they give the exporter the margin of protection that he wants and needs.

A survey recently completed by the Foreign Division, DUN & BRADSTREET, INC., shows the terms being used by a representative group of American exporters today. The tables on the next four pages summarize the range of terms used by exporters in various lines in shipping to that most interesting of export areas—Latin America.

KEY TO TERMS IN THE TABLES, PAGES 20-23

C.A.D.	Cash against documents at port of entry; similar to sight draft documents against payment.
C.A.D.-N.Y.	Cash against documents in New York.
Cd. Sl.	Conditional sales (installment sales contracts or hire purchase agreements) under which title to merchandise remains in hands of seller until debt has been completely liquidated.
C.I.A.	Cash in advance.
C. in N.Y.	Cash in New York.
C.R.M.	Cash by return mail; sometimes also referred to as Cash on Receipt of Merchandise—to all intents an open account transaction with a suggested time limit.
C.R.S.	Cash by return steamer. Practically the same as C.R.M.
C.W.O.	Cash with order.
D. or Disc.	Discount for payment of goods within discount period.
30-180 D/D	30 to 180 days date draft—maturity counts from date of draft, irrespective of acceptance date.
Ds.Dft.	Either sight or date draft.
90 Ds.Nts.	90 days notes; similar to trade acceptance.
10 E.O.M.	Similar to open account with maturity 10 days after the end of that month in which purchase is made. Ordinarily this provides about 30 days credit.
E.O.S.	Season's dating: payment is made at end of season.
Irrev.L/C	Irrevocable letter of credit.
L/C	Letter of credit.
O/A	Straight open account.
30-120 O/A	30 to 120 days open account.
S/D	Sight draft—ordinarily with documents attached and released against payment.
S/D D/P	Sight draft, documents against payment.
30-180 S/D	30 to 180 days sight draft with maturity period beginning from date on which draft is accepted by customer.
T/A	Trade acceptance.
90 T/A	90 days trade acceptance (notes maturing within 90 days).

THE TABLES on the next four pages show the range of terms for 48 commodities or commodity groups. Lack of space prevents including other commodities upon which information may be obtained from the author.

The range of terms for some of the omitted commodities may be thus briefly summarized: motor truck parts, S/D; confections 20-30 O/A; watches and attachments, O/A-120 O/A; optical goods—to South American trade, S/D and O/A, —to West Indian and Central American trade, 30-60 O/A.

The brief commodity headings given in the tables do not include other similar products shipped under the same terms. Cutlery is shipped on the same terms as hardware; air conditioning equipment terms are included in those shown for radios and refrigerators.

EXPORT TERMS—LATIN-AMERICAN TRADE (*see page 19*)

Country	Export & Commission Merchants	Factors & Commercial Bankers	FOOD PRODUCTS					TEXTILES				
			Meat Products	Flour	Packaged Products	Milk Products	Beverages (non-alcohol)	Dry Goods	Hosiery	Laces Silks	Yarns (Cotton)	Yarns (Rayon)
Argentina	S/D	90 S/D		S/D D/P		C. in N.Y. 60 O/A	90 S/D	S/D 60 S/D-D/D		90 S/D	90 S/D	
Bolivia	S/D C. in N.Y.					S/D					90 D/D	C.I.A
Brazil	S/D 90 O/A	90 S/D		S/D 30-90 D/D		60 O/A	60 S/D	S/D		S/D	S/D	
Chile			30 Ds.Dft.		C.A.D.			S/D	Cash			C.A.D.
Colombia	60-90 D/D S/D & O/A	30-90 D/D	30 Ds.Dft.	C.A.D. 60 D/D	30-90 D/D	30 O/A 45-90 S/D		60-90 S/D & D/D	60-90 S/D		90-120 D/D	D/Cash 120 O/A
Ecuador	S/D	90 D/D	C.I.A.	S/D	S/D	S/D		S/D				90 D/D
British Guiana		60 D/D	30 Ds.Dft.	30 O/A 30 S/D		30 S/D	30 S/D	C.A.D. C.R.M.	60 S/D			
French Guiana			30 Ds.Dft.			S/D						
Dutch Guiana		60-90 S/D	30 Ds.Dft.	S/D 30 O/A-S/D		30 S/D		O/A				
Paraguay								C.I.A.				
Peru	S/D 30 S/D	60-90 D/D		S/D	C.A.D.	60 O/A	90 S/D	30-60 S/D	60 S/D		90 S/D	90 D/D
Uruguay				S/D			60 S/D	S/D 30 S/D	120 D/D	S/D		
Venezuela	S/D-90 S/D 60 O/A	60-90 D/D		30 O/A 60 D/D	30-90 D/D	60 O/A 60 D/D	Cash	C.A.D. 60 S/D-O/A	60 O/A 60 S/D		S/D 60 O/A	30-60 D/D
Costa Rica	S/D	60 D/D		S/D	S/D	60 O/A 60 S/D	Cash	S/D	C.I.A. 30 S/D			C.A.D.
Guatemala	S/D 60 O/A	60-90 D/D		30 S/D 60 D/D	60 S/D	60 O/A 60 S/D	30 S/D	S/D 60 S/D	60 O/A		S/D 60 O/A	30 S/D
Honduras	S/D	60-90 D/D	Cash	S/D	S/D 30 S/D	S/D 60 S/D	30 S/D	S/D 60 S/D	60 O/A			
British Honduras		60 S/D	Cash	S/D 30 O/A	30 O/A 30 S/D	30 S/D 60 O/A		S/D	60 O/A			
Mexico	S/D 60 O/A	60 D/D			S/D 30 O/A	S/D	Cash	C.A.D. 60 Ds.Dft.	30-60 S/D	70 D/D		60 D/D
Nicaragua	C. in N.Y.				60 D/D	60 O/A 60 S/D	S/D	S/D			C.I.A.	
Panama	30 O/A & D/D	60-90-S/D	30-45 Ds. Dft.	S/D 45 D/D	60 O/A	60 O/A 90 S/D	30 S/D	S/D 60 S/D-D/D	60-90 S/D		S/D	
Salvador	S/D 60 O/A	60-90 D/D		45 D/D	S/D	30 S/D		S/D O/A	S/D		S/D	
Cuba	S/D	S/D-90 S/D	S/D 30 O/A	S/D 30 O/A-S/D	30 S/D	S/D	Cash	60-70 O/A 90 D/D	60 S/D 30-60 O/A	70 D/D 60 O/A	70 O/A D/D	Disc. 30-75 D/D
Dominican Republic	S/D 60 O/A	S/D-60 D/D	S/D	S/D	S/D 30 O/A	60 O/A 60 S/D	Cash	60 O/A 60 S/D	60 O/A 60 S/D	Disc. C.R.S.	90 D/D	C.A.D.
Netherlands W. Indies	S/D 60 O/A	S/D	S/D	S/D 30 S/D	30-60 S/D & D/D	S/D	S/D	S/D 60 S/D	S/D 60 S/D			
French W. Indies		S/D-90 D/D		S/D		S/D						
Haiti	S/D	90 D/D	S/D	30 O/A-S/D	S/D 45 O/A	30-90 S/D 60 O/A	Cash	S/D	S/D			
Puerto Rico	S/D 30 O/A	S/D-60 D/D	Disc. 30 S/D	S/D 30 O/A-S/D	30 S/D S/D		Cash	D/60 O/A 30-60 S/D	60 S/D D/D	Disc. 70 O/A		
Bermuda				C.R.M.	30 O/A S/D	60 O/A 90 D/D	30 S/D	10-30-60 O/A	S/D 60 O/A			
Bahamas					30 O/A	S/D 30 S/D	30 S/D	Disc. 30-60 O/A	S/D 60 O/A		S/D	
Jamaica	S/D	S/D-90 D/D		30 S/D	30 O/A S/D	30-60 O/A	O/A	S/D 60 D/D	S/D 60 O/A			

EXPORT TERMS — LATIN-AMERICAN TRADE (*see page 19*)

Country	TEXTILES				WOOD PRODUCTS				PAPER PRODUCTS			
	Upholstery Fabrics	Carpets and Rugs	Hats	Bathing Suits	Lumber and Flooring	Furniture	Fibre Products	Corks and Closures	Newsprint	Boxes, Bags, Containers	Tissue, Napkins	Printed Forms
Argentina			Disc. 45-120 D/D		S/D 90 O/A		S/D 120 O/A	90 S/D	90 O/A			60 S/D
Bolivia			Disc. 45-120 D/D	S/D					60 O/A	C.I.A.		
Brazil			Disc. 45-120 D/D	S/D 60 S/D			Cash 120 O/A		90 O/A		90 S/D	60 S/D
Chile			Disc. 45-120 D/D	S/D			Cash 120 O/A					S/D D/P
Colombia	90 D/D		Disc. 45-120 D/D	S/D 90 S/D			90 S/D 120 O/A	60-90 S/D	90 O/A 60-90 S/D	S/D 90 S/D		S/D D/P 60 S/D
Ecuador	S/D		Disc. 45-120 D/D						60 O/A	S/D		
British Guiana								30-60 S/D				O/A
French Guiana												
Dutch Guiana							C.W.O.					
Paraguay			Disc. 45-120 D/D									
Peru			Disc. 45-120 D/D	S/D 60 S/D			Cash	90 S/D	90 O/A			60 S/D
Uruguay			Disc. 45-120 D/D		L/C		S/D 120 O/A				120 S/D	
Venezuela	60 D/D		D/S/D-120 D/D	60 S/D			C.W.O.	90 S/D	90 O/A	S/D 60 S/D	30-60 S/D	
Costa Rica	90 O/A		Disc. 20-120 D/D	S/D			S/D	60-90 S/D	Disc. S/D-60 O/A			C.A.D. N.Y.
Guatemala	O/A 90 O/A		Disc. 20-120 D/D	30 S/D			S/D 120 O/A	90 S/D		S/D		60 S/D
Honduras	S/D		Disc. 20-120 D/D					60-90 S/D	60 O/A			
British Honduras			Disc. 20-120 D/D				S/D	30 O/A	S/D Net 60 O/A			O/A
Mexico	30-120 D/D	S/D 60-90 D/D	Disc. 20-120 D/D	S/D-O/A 90 O/A	90 Ds.Nts.	90 D/D	Cash S/D	Cash	S/D & T/A 30-90 O/A		30 O/A	O/A 60 S/D
Nicaragua			Disc. 20-120 D/D					60-90 S/D	C.I.A.			
Panama	60 D/D 90 O/A	S/D 60 D/D	Disc. 20-120 D/D	S/D 30-90 S/D			O/A	60-90 S/D	S/D-60 S/D 90 O/A	S/D 60 S/D	S/D	O/A 60 S/D
Salvador			Disc. 20-120 D/D	S/D				60-90 S/D	60 O/A			C.A.D. N.Y.
Cuba	Disc. 60-120 O/A	S/D 60 O/A-D/D	Disc. 20-120 D/D	60 S/D	S/D	S/D 60 D/D	S/D Cash	60-90 S/D	90 O/A S/D-90 S/D	S/D	120 S/D	60-90 S/D
Dominican Republic			Disc. 20-120 D/D						90 O/A	S/D		30-60 S/D
Netherlands W. Indies			D/S/D-S/D-120 D/D	S/D			S/D	30-60 S/D	30 S/D			O/A
French W. Indies				30 D/D								
Haiti	S/D					90 Ds.Dft.	S/D	30-60 S/D	90 O/A		30 S/D	C. in N.Y.
Puerto Rico	Disc. 10-60 O/A	Disc. 10-60 O/A	Disc. 20-120 D/D			60 O/A	90 S/D	Disc. 30-90 S/D	30-90 O/A 30-60 S/D	S/D	30 O/A	30-60 S/D
Bermuda		S/D-60 O/A & D/D				90 D/D	O/A	60-90 S/D		S/D	30 O/A	O/A
Bahamas						60 O/A		30 O/A				
Jamaica	10 O/A			60 S/D	60 O/A		90 S/D	60-90 S/D		S/D		O/A

EXPORT TERMS—LATIN-AMERICAN TRADE (*see page 19*)

Country	PAPER PRODUCTS Specialties, Blotters	PRINTING & PUBLISHING Novelties, Calendars	CHEMICALS Drugs, Biologicals	CHEMICALS Industrial Chemicals	CHEMICALS Paints and Varnishes	CHEMICALS Toilet Articles	CHEMICALS Insecticides	PETROLEUM Petroleum and Products	RUBBER PRODUCTS Rubber Goods	LEATHER PRODUCTS Shoes	GLASS, CLAY, STONE Glass, Glassware	GLASS, CLAY, STONE Fire Brick, Insulating Brd.
Argentina	90 S/D		90-120 D/D	C.A.D. 90 O/A	90-120 S/D	O/A 30 D/D	90 S/D	S/D-90 S/D	S/D 30-120 D/D	C. in N.Y.	150 D/D	S/D-30 S/D
Bolivia	Cash		S/D 90 S/D		C. in N.Y.	C.W.O. 60 S/D		S/D C. in N.Y.	S/D 90 D/D	1/3 Cash-bal. 90 D/D		C. in N.Y.
Brazil	60 S/D		60-120 O/A 90 S/D-D/D	S/D	90-120 S/D	S/D-60 D/D O/A	90 S/D	C.A.D. 30 S/D	S/D 60 D/D	C. in N. Y.		120 D/D
Chile	C.R.M.		C. in N.Y. 30 D/D	C.A.D. 30 O/A		O/A 60 O/A		S/D	S/D	S/D		C. in N.Y.
Colombia	60-120 S/D	60-120 O/A 60 S/D	120 O/A 120 D/D	60-120 S/D	90-150 D/D	30-90 D/D		S/D-60 S/D	S/D-90 D/D	90 D/D	90 D/D	60 S/D
Ecuador	S/D 60 S/D	30-90 O/A	90-120 D/D	L/C S/D	C.A.D. 30-90 S/D	S/D 120 D/D		S/D-30 S/D L/C	S/D 90 D/D	90 D/D	60 S/D S/D	60 D/D
British Guiana		60 O/A	30-120 D/D		O/A	30 S/D	S/D		30 S/D	O/A		
French Guiana												
Dutch Guiana		30-90 O/A			O/A	S/D 30-60 O/A			S/D			
Paraguay	S/D		S/D-60 D/D 120 O/A			C.W.O.		S/D-90 S/D	120 D/D			
Peru	S/D 60 S/D	30-90 O/A	60-120 O/A 30-120 D/D		90-120 S/D	O/A 60-120 D/D	O/A	30 S/D L/C	S/D 90 S/D	90 D/D	90 D/D	C. in N.Y.
Uruguay	S/D		60-120 D/D	S/D	C.A.D. 90 S/D	O/A 60-120 D/D	90 S/D	S/D	S/D 90-120 S/D			C. in N.Y.
Venezuela	60 S/D	30-60 O/A	90-120 D/D 90 O/A		90-120 S/D	O/A 120 S/D	120 S/D	S/D L/C	C. A. D. 75 D/D	90 D/D	60-120 D/D	30-90 S/D
Costa Rica	30-60 S/D	30 O/A	90-120 D/D O/A	S/D-60 S/D	120 D/D	S/D 30-90 D/D		S/D 60 S/D	60 O/A S/D-75 D/D	C. in N.Y.	60-120 D/D	C. in N.Y.
Guatemala	S/D C.W.O.	30-90 O/A	90-120 D/D 90-120 O/A	S/D-60 S/D	90 S/D	O/A 30-60 S/D	S/D	S/D	S/D 60 O/A-D/D	90 D/D	120 D/D	
Honduras	C.W.O.	30-60 O/A	90-120 D/D		90 S/D	30-90 D/D	30 S/D	S/D	S/D 60 O/A-D/D	90 O/A-D/D	120 D/D	C. in N.Y.
British Honduras	S/D		120 D/D			90 D/D		C. in N.Y.				
Mexico	S/D 120 S/D	60 O/A	30-90 O/A 90-150 D/D	Cash 60 Ds.Dft.	60-90 S/D	O/A-60 O/A	120 O/A	S/D-60 S/D	S/D-90 D/D 60 O/A	O/A-60 O/A	90 D/D 60 O/A	S/D-90 S/D
Nicaragua	S/D		60-120 D/D		90 S/D	C. in N.Y. 30-120 S/D	S/D	S/D	S/D-60 D/D	C. in N.Y.		
Panama	30-60 S/D	30-60 O/A	90-120 D/D 90-120 O/A	S/D	O/A 120 S/D	O/A 60 S/D		30 S/D L/C	30-60 O/A 60-90 D/D	60-120 S/D 30-90 O/A	90 D/D	C. in N.Y. S/D
Salvador	S/D	60 O/A	90-120 O/A 90-120 D/D		90 Ds.Dft.	S/D 60 S/D		S/D	S/D 120 D/D	O/A	120 D/D	
Cuba	60 S/D 90 S/D	30 O/A	O/A-90 O/A 60-150 D/D	30-90 O/A S/D-90 S/D	60-120 D/D	O/A	O/A S/D	S/D-60 S/D Cash	60 O/A 60 D/D	30-60 O/A 60-90 D/D	60 S/D 60 O/A	S/D 120 D/D
Dominican Republic	60 S/D	30-60 O/A	60-120 D/D		120-150 S/D	O/A 30-60 S/D		30 S/D	60 D/D	O/A	60-90 D/D	S/D-60 S/D
Netherlands W. Indies		60 O/A	60-120 O/A 90 D/D	S/D	90 D/D	60 S/D C. in N.Y.		S/D Cash	S/D	S/D O/A		S/D C. in N.Y.
French W. Indies			Cash					C. W. O.	S/D			
Haiti		30-60 O/A	30-90 D/D Cash		90-120 S/D	O/A Cash		S/D	120 D/D	S/D-60 S/D	60 D/D	C. in N.Y.
Puerto Rico	60 S/D	30-90 O/A	O/A-90 O/A 90-120 D/D	30-60 S/D 60 O/A	60-120 D/D	30-60 S/D O/A		30-90 S/D Cash	S/D-90 S/D 60 O/A	30-60 O/A 60-90 D/D	60-90 D/D 60 O/A	30-90 S/D
Bermuda		30 O/A	30-120 D/D Cash	30 S/D		30-60 S/D O/A		30 S/D	Cash 30 S/D			S/D
Bahamas			90 S/D	30 S/D 60 O/A		30-60 S/D O/A		S/D	Cash 30 S/D			S/D
Jamaica		30 O/A	120 O/A 30-120 D/D		90 D/D	30-75 D/D		Cash S/D-30 S/D	S/D-60 D/D Cash	O/A		S/D

EXPORT TERMS — LATIN-AMERICAN TRADE (*see page 19*)

Country	IRON AND STEEL PRODUCTS			NON-FERROUS METAL PROD.		MACHINERY AND ELECTRICAL EQUIPMENT						TRANSPORTATION EQUIP.
	Sheets, Tinware, Tubes	Hardware, Steel Wire	Metal Beds and Springs	Silversmiths	Aluminum Products	Radios, Refrigerators	Elec. Mach and Equipment	Typewriters and Bus. Mach.	Fittings, Plumbing Supp.	Heavy Machinery	Textile Machinery	Trucks and Cars
Argentina	60-90 S/D 120 O/A	S/D-30 S/D		60-90 O/A		30-90 S/D O/A-L/C	90 O/A 30-60 S/D	90 S/D	S/D-60 D/D 30-90 O/A	C.W.O Cd. Sl. 120 S/D	S/D Irrev. L/C	60 S/D
Bolivia		C.I.A. 30 S/D			Part cash, bal. O/A	C.W.O. 90 D/D		S/D-90 S/D	O/A in N. Y.	Cash 90 S/D	30 O/A	Irrev. L/C
Brazil	S/D-60 S/D 60 O/A	30-120 D/D		60-90 S/D	Part cash, bal. 60 O/A	S/D-90 S/D O/A-L/C	90 O/A S/D-60 S/D	30-90 S/D	30-180 S/D 120 O/A	90 O/A-S/D 2 yr. Cd. Sl.	30 S/D Irrev. L/C	L/C
Chile		S/D-30 S/D		60-90 O/A S/D		C.W.O., L/C 60-90 S/D	Cash-O/A 60 S/D	C. in N.Y. O/A-90 S/D	L/C, S/D O/A	S/D-90 S/D Cash/E.O.S.	30 S/D	Irrev. L/C
Colombia	S/D-90 S/D 120 O/A	60 S/D 60 O/A	S/D	60-90 O/A	60-90 S/D	30-60 S/D C.W.O., L/C	O/A 30-60 S/D	30-90 S/D 90 O/A	60-120 D/D 90 O/A	33-90 S/D	30 S/D	C.W.O.
Ecuador	C.A.D.	S/D 30 S/D	S/D		S/D	C.W.O., L/C S/D-60 S/D		90 S/D	S/D 90 S/D	S/D C. in N.Y.		L/C C.W.O.
British Guiana		30 S/D O/A	O/A			S/D, L/C C. in N.Y.	60 S/D	O/A 60 S/D				L/C
French Guiana		30 S/D				S/D, L/C C. in N.Y.	S/D-60 S/D	30 O/A 60 S/D				
Dutch Guiana		30 S/D O/A	O/A			S/D, L/C C. in N.Y.	O/A 60 S/D	S/D				
Paraguay		S/D C.I.A.				C.W.O. S/D, L/C		90 S/D		C.W.O.	S/D	Irrev. L/C
Peru	60 D/D	30-60 S/D	90 O/A	60-90 O/A	60 S/D	S/D-90 S/D C.W.O., L/C	O/A 60 S/D	90 S/D-O/A C. in N.Y.	30-120 D/D 90 O/A	C.A.D. 90 S/D 2 yr. Cd. Sl.	S/D	L/C S/D
Uruguay	S/D 90 S/D	S/D-O/A 30-60 S/D		60-90 O/A S/D	60-90 D/D 30-90 O/A	S/D, L/C C.W.O.	S/D-60 S/D	30 O/A S/D-90 S/D	S/D	90 S/D	S/D	C. in N.Y.
Venezuela	S/D-60 D/D 90 O/A	30-90 S/D				S/D-60 S/D C.W.O., L/C	10 O/A 60 S/D	30-60 S/D C. in N.Y.	30-120 D/D	Part cash 90 S/D	30 S/D	Irrev. L/C
Costa Rica	60-90 D/D	S/D-60 S/D	S/D	60-90 O/A	30 S/D	S/D, C.W.O. L/C	S/D-60 S/D	90 S/D O/A, Cash	O/A 60 S/D		S/D	Irrev. L/C
Guatemala	C.I.A. 60 D/D	S/D 30-60 S/D				S/D, L/C C.W.O.	S/D-60 S/D	90 S/D O/A	90 O/A D/D	C.W.O. 90 D/D	60 O/A	Irrev. L/C
Honduras	60 D/D	S/D-60 S/D 90 O/A	60 S/D	60-90 O/A		L/C, S/D C.W.O.	S/D-60 S/D O/A	30-60 S/D C. in N.Y.	S/D & O/A			C.W.O. Irrev. L/C
British Honduras	60 D/D	S/D-60 S/D O/A				S/D, C.W.O. L/C	O/A	S/D-60 S/D				
Mexico	S/D-60 S/D	30-90 S/D 60 O/A		60-90 O/A	60-90 S/D 30 O/A	S/D-90 S/D C.W.O., L/C	60-90 S/D 90 O/A	60-180 S/D 90 O/A	S/D-90 S/D 90 O/A	30-90 S/D Cash/90 O/A	60 O/A Cash/E.O.S.	L/C C.A.D.
Nicaragua	S/D	S/D		Secured terms only	S/D	L/C C.W.O.	O/A	C.W.O. S/D-60 S/D	90 O/A		C.I.A.	Irrev. L/C
Panama	S/D-60 S/D	O/A S/D-60 S/D	90 S/D	60-90 O/A	60 Ds.Dft.	S/D, L/C 60-90 O/A	30 O/A 60 S/D	S/D-90 S/D	60 D/D, O/A C. in N.Y.	C.W.O. 90 S/D		L/C
Salvador	S/D-60 S/D	S/D-30 S/D			S/D	S/D, C.W.O. L/C		S/D 90 S/D	90 O/A		S/D	Irrev. L/C
Cuba	S/D-90 D/D O/A-90 O/A	O/A-S/D 90 D/D	90 S/D	60-90 O/A	60 S/D	60-90 O/A L/C	90 T/A	O/A S/D	90-180 S/D T/A-90 O/A	60 O/A & S/D 2 yr. Cd. Sl.	S/D	Irrev. L/C
Dominican Republic	60-90 D/D	30-60 D/D		60-90 O/A	S/D	S/D-L/C 60 S/D-O/A		S/D	60 O/A 60 D/D	C.W.O.		L/C
Netherlands W. Indies	60 D/D	30-60 S/D O/A	S/D 90 S/D	60-90 O/A		S/D L/C	O/A 60 S/D		S/D	1½ yr. Cd. Sl. 60 O/A-D/D		
French W. Indies	60 D/D	30-60 S/D	S/D 90 S/D			S/D L/C	O/A	O/A				
Haiti	S/D-60 D/D	S/D-60 S/D	90 S/D			S/D-60 S/D L/C		C. in N.Y. S/D	O/A			Irrev. L/C
Puerto Rico	60-90 D/D 90 O/A	O/A 30 S/D	90 S/D	60-90 O/A	60 D/D	S/D-90 S/D 30 O/A, L/C	Disc. O/A 60 S/D	S/D 120 D/D	O/A T/A	S/D-60 S/D 2 yr. Cd. Sl.		Irrev. L/C
Bermuda	60 D/D O/A	30-60 S/D 60 O/A			Cash	S/D L/C	O/A	O/A-60 S/D C. in N.Y.	S/D-60 D/D			
Bahamas	S/D-60 D/D O/A	60 S/D O/A				S/D L/C	O/A	O/A	S/D			
Jamaica	S/D-60 D/D 30 O/A	30-60 S/D	90 S/D	60-90 O/A	30 O/A	S/D L/C	60 S/D	30-120 S/D O/A	S/D	30 S/D 60 O/A		L/C

Gendreau

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

DECEMBER brought the recovery year of 1936 to a brilliant close. While the financial world was relatively quiet (except for extraordinary dividend declarations), the industrial world was making a significant record. The index of industrial production rose to approximately the 1929 level. Retail trade also showed marked increases, supported by rising pay rolls, dividend declarations, and bonuses. Construction activity and record railroad equipment orders both indicate strength in the durable goods industries. Commodity prices, particularly those of raw materials, continued the marked rise which began in October. This development in turn contributed further to encouraging the upswing. . . . Evidence is already sufficient to indicate in January some reaction from this picture.

Industrial Production

Federal Reserve Board Adjusted Index

1923-1925 = 100

	1933	1934	1935	1936
January	65	78	90	[illegible]
February	63	81	89	94
March	[illegible]	84	88	93
April	[illegible]	86	86	100
May	78	86	85	101
June	91	84	87	104
July	100	76	86	108
August	91	73	88	108
September	84	71	91	109
October	76	74	95	110
November	72	75	96	114
December	75	86	101	...

THE adjusted industrial production index, which makes allowance for normal seasonal variations, advanced to 114 in November and the December figure may even exceed 120. This continues the upward movement which began in March when the index stood at 93. This extraordinary advance in the last two months is partially explained by the changed seasonal trends wrought by the advanced production schedules of the automobile industry, and the resulting effect on other major industries such as steel, rubber, electrical equipment, and the like. This rapid increase may also be explained in part by two phenomena not unusual in recovery periods, the impact of advancing prices and the fear of increased labor costs and difficulties.

The volume of automobile production in December has already been noted. Equally striking is the high level of steel operations, the actual tonnage being about equal to the all-time high reached in 1929. Cotton led the textile industries, the rate of domestic cotton consumption establishing an all-time high in December.

Even construction, which usually shows a pronounced seasonal reaction in the Winter, recorded permits in December equal to the monthly average for the year, and above any December since 1930.

Another significant factor is the sharp increase in new orders for railroad equipment. These new orders have been in such large volume recently that at the close of December, the unfilled orders on hand in the railroad equipment industries were the largest on record. In view of the fact that so much unemployment exists within the building and railroad industries, or those closely allied thereto, these developments are unusually encouraging.

Wholesale Commodity Prices

U.S.B.L.S. Index

1926 = 100

	1933	1934	1935	1936
January	61.0	72.2	78.8	80.6
February	59.8	73.6	79.5	80.6
March	60.2	73.7	79.4	79.6
April	60.4	73.3	80.1	79.7
May	62.7	[illegible]	[illegible]	[illegible]
June	65.0	74.6	79.8	79.2
July	68.9	74.8	79.4	80.5
August	69.5	76.4	80.5	81.6
September	70.8	77.6	80.7	81.6
October	71.2	76.5	80.5	81.5
November	71.1	76.5	80.6	82.4
December	70.8	76.9	80.9	83.7*

* Estimated.

LAST MAY, the wholesale commodity price index was at the lowest point since 1934, the result of a downward drift which had continued for some months. Since May it has moved up to the highest levels reached during the recovery period. The Bureau of Labor Statistics index is so comprehensive

that it includes many commodities whose prices are relatively inflexible. It is therefore not subject to rapid fluctuations, and has seldom moved upwards more rapidly than in recent months.

Except for the fuel and lighting materials group, all commodity groups have participated in the advance, with farm products taking the lead. Finished products have shown less gain than raw materials. Substantial increases were recorded in December in wheat, flour, scrap steel, non-ferrous metals, wood-pulp, and rubber.

Undoubtedly, the general movement in prices has greatly stimulated inventory speculation on the part of industrial concerns and distributors. In the face of advancing raw material prices, a forward purchasing policy is encouraged which in turn further enhances the demand in the market and raises prices still further. Likewise, the fear that prices of finished goods will advance tends to stimulate demand by wholesalers and retailers.

U. S. Trade Barometer

1928-1932 = 100

	1933	1934	1935	1936
January	60.8	64.4	75.5	84.1
February	58.9	68.1	77.8	[illegible]
March	51.4	73.0	80.7	[illegible]
April	57.9	73.2	79.8	88.3
May	60.8	72.9	[illegible]	91.3
June	62.9	[illegible]	79.6	91.1
July	[illegible]	72.1	80.1	91.7
August	[illegible]	72.6	79.0	89.2
September	66.8	71.2	79.0	88.3
October	66.6	70.0	76.4	88.1
November	65.1	70.9	86.4	97.3
December	66.5	75.3	89.1	....

While there is scattered evidence that inventories are increasing somewhat at points along the economic process, there is also evidence of advancing volume of purchasing. After rising to July, the trade barometer (discussed in detail on page 26) slowly declined to October. This trend may have been influenced generally by delayed purchases due to the approach of new automobile models and specifically by a new sales tax in Louisiana which advanced many October purchases into September in that area. The 10 per cent increase in trade in November was of course most unusual, and all reports indicate that December will record a further advance.

Contrary to the opinion frequently given, little part of the November-December rise can be ascribed to the spending activities of the government. In fact, the emergency spending of the federal government declined from $315,000,000 in October to $260,000,000 in November and $250,000,000 in December. It seems that the large conservation payments expected to be distributed to the farmers in the last quarter of the year did not materialize. Except for this factor, the request of the President for only $790,000,000 to cover relief expenditures through June of this year indicates further reduction in purchasing power from this source.

Factory Pay Rolls

Federal Reserve Board Adjusted Index

1923-1925 = 100

	1933	1934	1935	1936
January	40.1	54.6	64.9	73.6
February	41.0	61.3	69.9	73.6
March	37.9	65.6	71.6	77.4
April	39.8	68.1	71.6	[illegible]
May	43.7	68.1	69.3	80.6
June	48.1	66.0	[illegible]	80.8
July	51.7	[illegible]	66.4	80.0
August	[illegible]	63.2	70.9	83.4
September	[illegible]	59.1	73.5	83.4
October	[illegible]	62.1	76.3	88.8
November	56.5	60.6	75.5	90.1
December	55.5	64.1	77.4	....

The various indicators of available purchasing power moved upwards strongly during 1936. The index of factory pay rolls, which was less than one-half its 1923-1925 average in both 1932 and 1933, advanced so that the November figure, the latest available, was 18.4 per cent above the corresponding 1935 month. This advance was greater than that of the factory employment index, indicating a decrease in the proportion of part-time work. Factory employment in November was at 97 per cent of the 1923-1925 average.

In December, the old practice in some industries and companies of declaring bonuses, was resumed. A number of companies announced general wage increases. While many of these wage increases did not actually involve the distribution of cash in December, the expectation undoubtedly served to encourage Christmas spending.

As a result of the corporate surplus tax law, the declaration of dividends in November and December was extraordinary. November declarations far exceeded those of any two months in recent years. Inasmuch as the dividends which were intended to reduce surpluses had to be paid within the year 1936, the actual flow of dividend funds in December was a further factor in augmenting purchasing power.

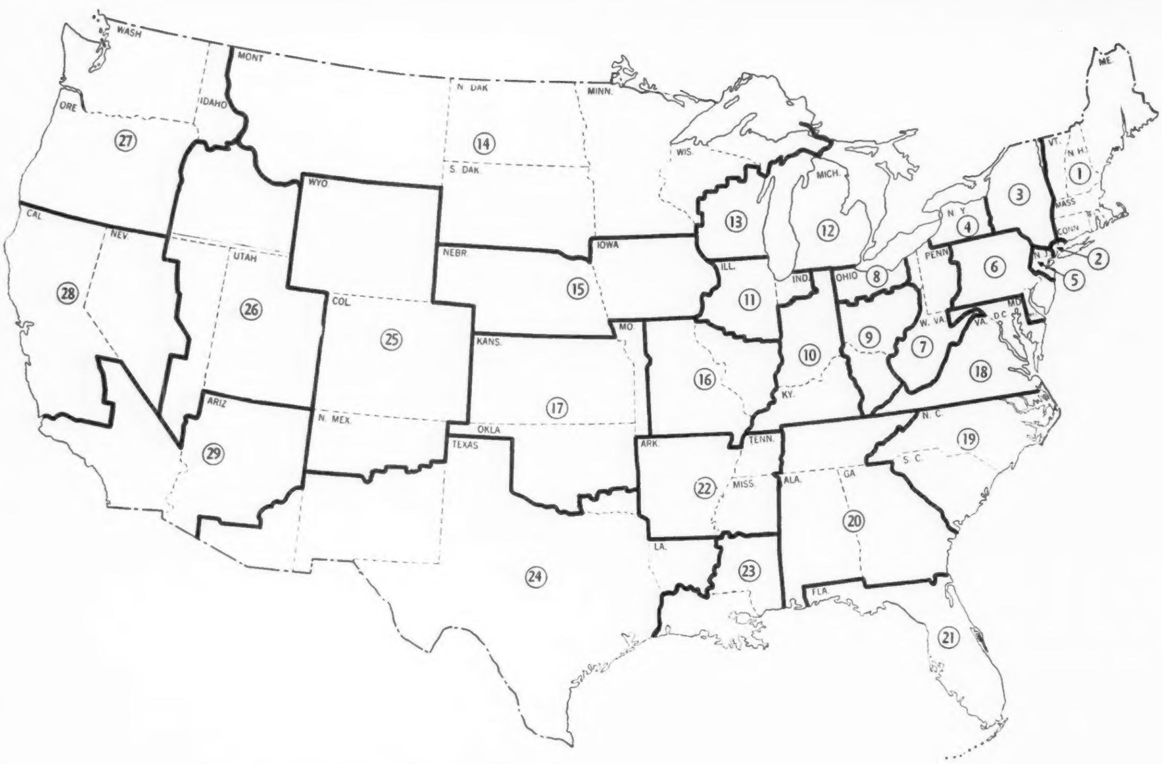
Industrial Stock Prices

Dow-Jones Index

	1933	1934	1935	1936
January	62.7	102.7	103.1	145.9
February	56.1	107.3	103.0	151.8
March	57.6	102.1	99.8	[illegible]
April	65.0	104.3	106.0	[illegible]
May	81.6	95.3	113.5	149.3
June	94.1	96.7	[illegible]	155.2
July	100.4	94.5	[illegible]	162.3
August	[illegible]	[illegible]	[illegible]	165.9
September	[illegible]	[illegible]	131.5	167.8
October	[illegible]	93.5	130.4	175.0
November	96.4	99.3	144.3	182.1
December	99.3	101.6	141.8	180.1

In contrast to the industrial field, the financial record for the month has little color. Industrial stock prices receded from the high point in the current advance reached in November. Railroads continued the decline which appeared last month. The bond market moved rather aimlessly, with discussion centering around the problem of whether or not, in their desire to check credit inflation, the authorities will take steps to tighten the money market.

Those people who have been constantly advising a balanced budget and curtailment in emergency spending of the government were recently given some reason for confidence. In the President's budget message to Congress on January 8, there were estimates for the 1937-1938 fiscal year. These estimates presented a balanced budget with the condition that relief expenditures will not amount to more than $1,853,000,000. The appearance of a balanced budget, however, is given by the sharp expected increase in total receipts. The reduction in total expenditures was comparatively small.



27 REGIONS SHOW TRADE GAINS

These Regional Trade Barometers were prepared by L. D. H. Weld, Director of Research of McCann-Erickson, Inc. The descriptions of business conditions in the various trade areas are based upon reports from the District offices of DUN & BRADSTREET, INC.

THE popular feeling that business would resume its upward trend after the election is amply justified by the November index figures and reports on the trend of trade in December and early January. Whereas 24 of the 29 regional indexes recorded a downward trend in September or October or in both months; only two regions failed to advance in November. The index for the country went up to 97.3 compared with 88.1 in October and with 86.4 a year ago.

From most regions come encouraging reports that the January seasonal slump in retail trade has not been as severe as expected.

The October-November rise in the index exceeded 10 points in the following six regions: Philadelphia, Cleveland, Cincinnati and Columbus, Detroit, Atlanta and Birmingham, San Francisco. The indexes for fifteen other regions gained between 5 and 10 points. The two regions where the indexes indicated a decline were: St. Louis (2.8 points) and Memphis (7.4 points).

The Four Factors

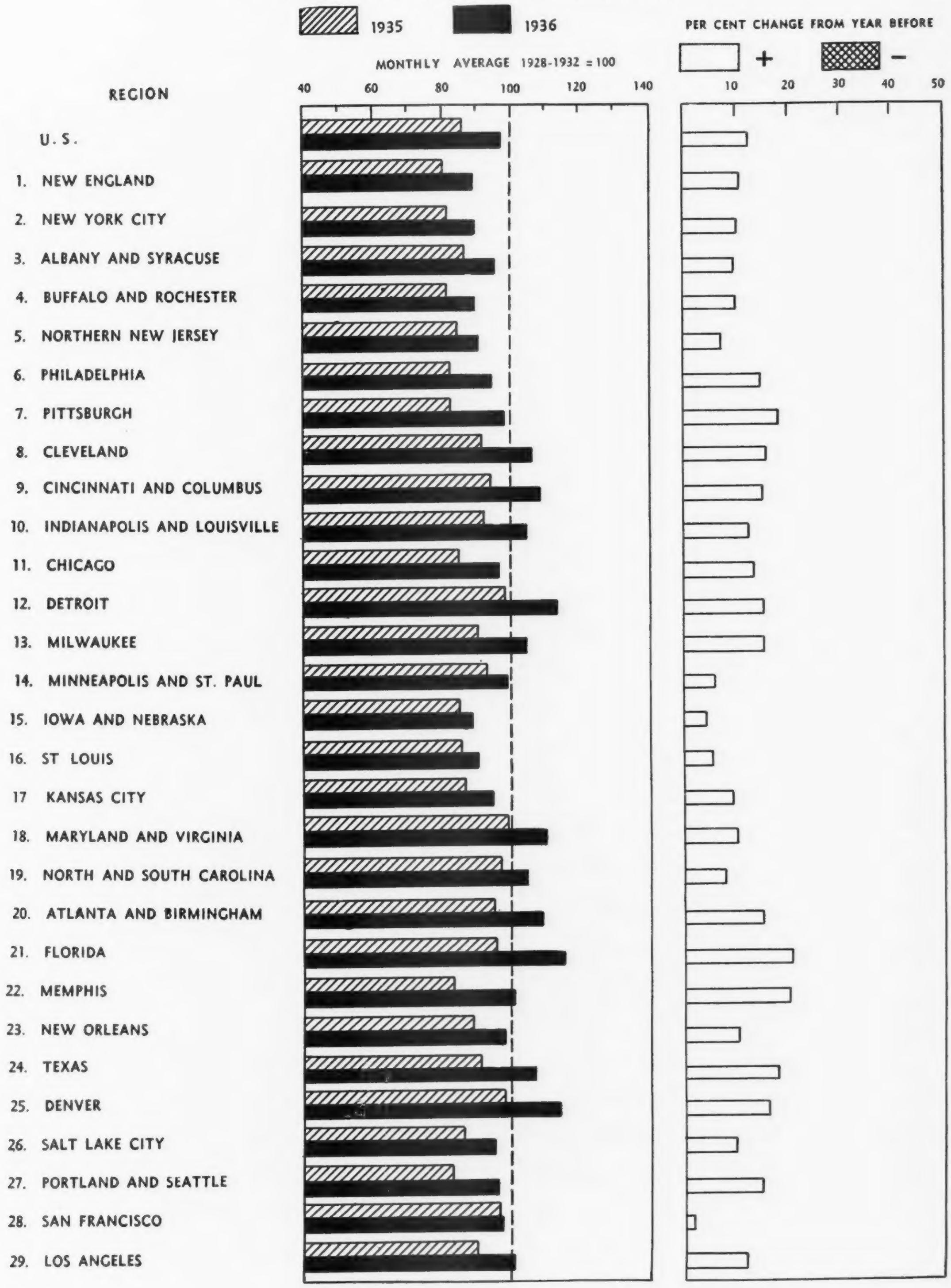
After much experiment with various combinations of factors, checking results against census and other available figures, four factors were selected as most representative of the trend of retail purchasing power: (1) bank debits, (2) department store sales, (3) new car sales, and (4) life insurance sales.

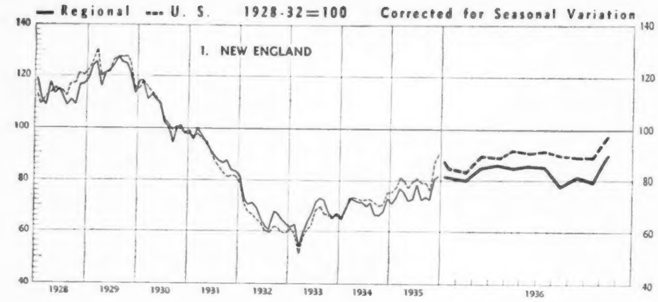
Wholesale trade and advertising lineage have been added to these factors in the case of New York City; wholesale trade is also used in the two up-state New York, the Northern New Jersey, and the Minneapolis-St. Paul regions.

The paragraph of discussion opposite each index consists of three parts: (1) trade reports for November to be studied in connection with the latest index number, (2) reports from DUN & BRADSTREET district offices on December business from which readers may judge the trend, (3) flash reports from the offices giving the trend of business in the first half of January.

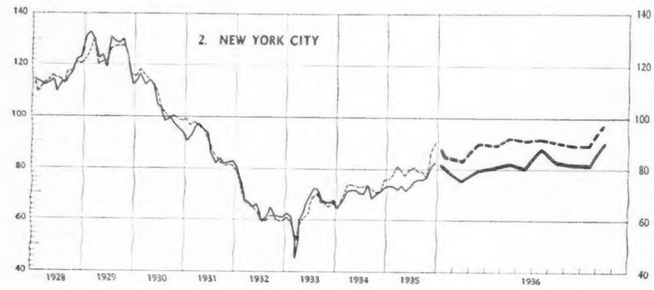
REGIONAL TRADE BAROMETERS

November 1936 Compared with November 1935

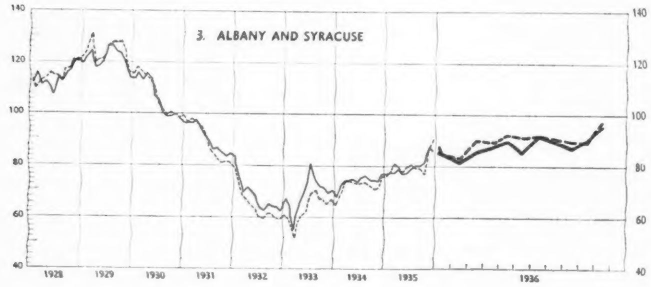




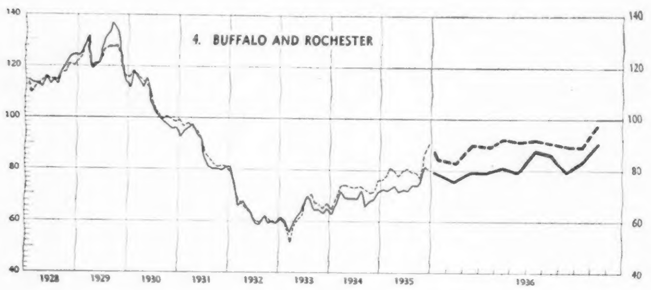
1. New England—Nov.–The sharp upturn in November retail trade, following a nationwide trend, was most noticeable in Massachusetts and Connecticut. Maine and Vermont reported very little improvement; New Hampshire and Rhode Island, average. Dec.–Reported retail trade increases over the previous December: Portland 12%, Bangor 5%, Manchester, N. H., 15%, Boston 8%, New Bedford 15%, Springfield 12%, Worcester 15%, Hartford 20%, New Haven 10%, Providence 11.5%; (States) Maine 2%, Vermont 3%, New Hampshire 7%, Massachusetts 10%, Rhode Island 7%, Connecticut 8%. General improvement in collections. Textiles, brass, and other industries reported sales figures holding up well. Jan.–Textile, shoe, and metal industries continue busy operating at about 35% above last January. Sharp increase of wool imports at Boston. Collections reported satisfactory on Christmas accounts.



2. New York City—Nov.–The upturn paralleled the U. S. trend, but left New York City somewhat more distant from complete recovery to the 1929 level than many other regions. Department store sales changes from the previous November: New York City +8%, Bridgeport +4%, Westchester and Stamford —3%. Wholesale business about 8% above last year. Dec.–Christmas trade estimated about equal 1931 level, with metropolitan department store sales 12% above the previous year. Bridgeport retail sales up 5%. Some wholesale lines and shipping pay rolls were affected by shipping strike. Jan.–Retail trade 10% ahead of last January. Heavy demand for textiles, with prices firmer. Wholesale apparel market active. Metal and other commodity trading generally a seller's market. Warm weather permitted continued construction.



3. Albany and Syracuse—Nov.–The gain for this index over the previous November was only about three-fourths of the U. S. average. Department store sales changes from previous November: Northern counties —4.5%, Southern counties +1.9%, Hudson River Valley towns +8.7%. Dec.–Reported retail trade increases over previous December: Syracuse 15%, Utica 14%, Gloversville 5%, Binghamton 15%, Albany 20%. More demand for luxury goods and women's wear. Utica textile mills operating near capacity. Similar reports from other industrial communities having the best year since 1930. Collections better. Jan.–Syracuse trade above expectations, industries short of skilled workers, but fears of labor trouble and of instability of employment have prevented the start of any building boom. Binghamton shoe plants busy.



4. Buffalo and Rochester—Nov.–An index figure 10% above the previous November represented slightly less than the U. S. average performance. Department store increases over the previous November: Buffalo 4.4%, Rochester 7.6%. Increased furniture and textile orders around Jamestown. Dec.–Reported retail trade increases over previous December: Buffalo 10%, Rochester 15%, Elmira 15%. Wholesale trade seasonally quiet, but up 10 per cent from previous December. Retail clothing trade disrupted by price war in Elmira. Rochester production and pay rolls were ahead of previous years. Buffalo industries busy. Farm prices stronger. Jan.–Seasonal decline in retail trade apparently less than usual. Industries and merchants starting the new year with optimistic viewpoint based on the encouraging totals found by examining 1936 business.

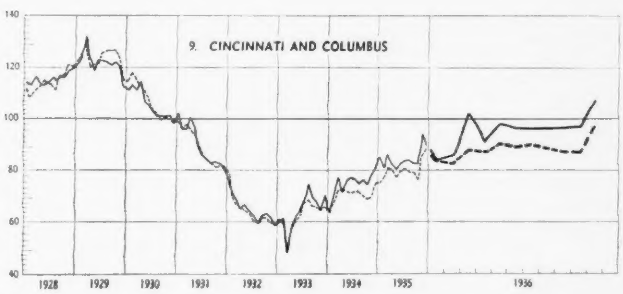
5. Northern New Jersey—Nov.–Improvement over the previous November index was about half the U. S. average percentage. Retail trade about 9% above the previous November. Increased industrial construction reported during the month had not yet been reflected extensively in pay rolls. Relief employment decreased somewhat. Dec.–Newark department stores reported best holiday sales since 1929. Construction, particularly of new industrial capacity, continued active because of mild weather and pay rolls were reflected in consumer buying. Factory pay rolls continued steady. Jan.–Retail trade has encountered less than the usual seasonal decline, with January white sales attracting a very good clientele. New car sales running ahead of last year. Construction work, encouraged by mild weather, has continued to expand.

6. Philadelphia—Nov.—This month's upturn paralleled the U. S. trend, the 15% gain of the index during the year somewhat exceeded the U. S. average. Retail trade for the first eleven months in the district 11% ahead of last year; November +18%. Life insurance sales —2%, automobile sales +8%. Gain of 20% in industrial production. Dec.—Retail trade in comparison with the previous December: Philadelphia +15%, Trenton +18%, Harrisburg, York, Lancaster, Allentown, and Wilmington, Del., +15% to 20%. Coal towns +15%. Philadelphia department store strike settled and other small strikes not affecting business noticeably. Shipping strike ineffective. Wilmington construction active. Coal production not greatly curtailed by warm weather. Jan.—First week's department store sales reported 12% better than same week year ago. Collection of Christmas accounts very satisfactory.

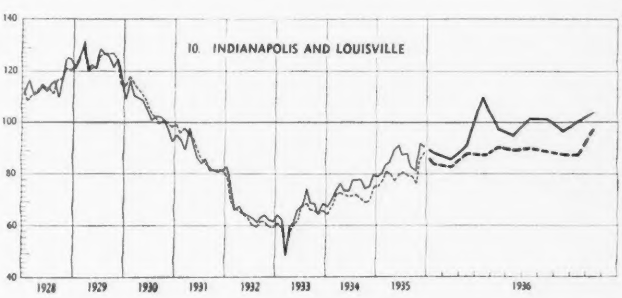
7. Pittsburgh—Nov.—Net gain of 18.5% over previous November was the largest recorded in the northeastern U. S. Heavy steel production and large dividend disbursements contributed to a retail sales volume 30% above the previous November in Pittsburgh. Dec.—Retail trade increases over previous December: Erie 15%, Johnstown 20%, Pittsburgh 25%, Clarksburg, Parkersburg, Huntington (W. Va.) 20%, Charleston 25%. Clarksburg steel and glass plants closed by strikes. Some upward trend in other West Virginia pay rolls, except glass plants closed by strikes. Collections more prompt. Grape prices and farm income higher in Erie district. Pittsburgh steel operations continuing at high level. Jan.—Seasonal reaction in retail trade more than usual, but running ahead of last year. Steel production cut by auto strike.

8. Cleveland—Nov.—Sharp upturn of index maintained the five months' lead over U. S. average. Net gain 16% above the previous November. Department store increases over the previous November: Akron 13%, Cleveland 16%, Toledo 4%, Youngstown 19%. Wholesale trade increases: groceries 8%, dry goods 19%, drugs 14%, hardware 23%. Dec.—Reported retail trade increases over the previous December: Cleveland 20%, Akron 20%, Canton 35%, Youngstown 30%, Toledo 15%. Reported wholesale trade increases: Cleveland 20%, Akron 6%, Canton 35%, Youngstown 20%, Toledo 20%. Large tire orders at Akron. Strike of 4,000 men in Toledo glass factories. Jan.—Cleveland steel production not yet greatly curtailed by auto strike. Toledo glass strike reported moving toward settlement. Christmas collections better than last year.

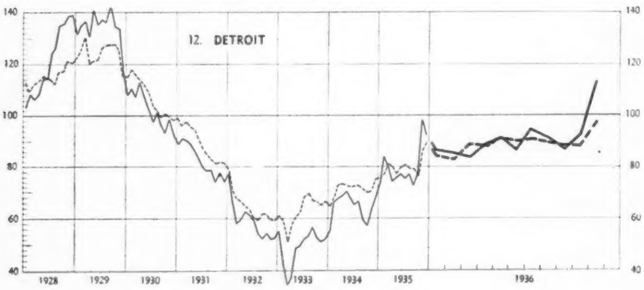
9. Cincinnati and Columbus—Nov.—Sharp upturn of index maintained region's position above the U. S. average. Net gain 15% over the 1935 November level. Better tobacco returns in Kentucky, wage increases and employee bonuses in industrial areas produced retail trade increases. Dec.—Reported retail trade increases over the previous December: Columbus 15%, Zanesville 15%, Dayton 10%, Springfield 25%, Cincinnati 15%, Portsmouth 10%, Lexington (Ky.) 5%. Wholesale trade increases general. Zanesville potteries reported best year since 1929. Industrial pay rolls reported increasing. Jan.—Mild weather retarded warm clothing sales, but other retailing above last year. Automotive strikes not felt yet. Cincinnati clothing manufacturers' Spring orders equal last year, but prices higher. Collections faster.



10. Indianapolis and Louisville—Nov.—Index 12.6% ahead of last November, which matched the U. S. trend but left U. S. index several points above the region. Louisville retail trade increased 8% over the previous November. Dec.—Reported retail trade increases over previous December: Fort Wayne 15%, Indianapolis 20%, Terre Haute 10%, Evansville 20%, Louisville 15%. Wholesale trade up 10%. Fort Wayne hosiery mills were running at capacity, salesmen called off the road. Iron and steel products plants at Louisville running 35% ahead of previous year. Tobacco at highest prices in history. Collections good. Jan.—Indianapolis retail trade 8% above same weeks last year, wholesale dry goods —7%, wholesale hardware —5%. Fort Wayne affected by auto labor dispute.



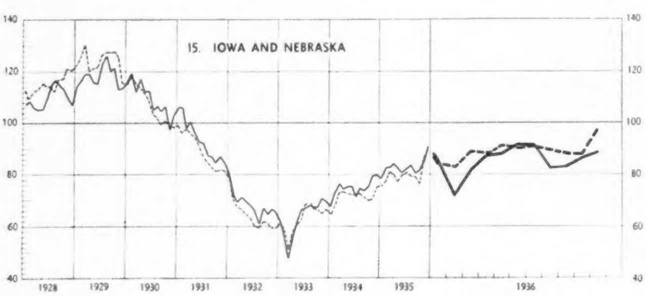
11. Chicago—Nov.–Throughout 1936 the Chicago index has run a course closely parallel to the U. S. average and the same general position maintained by this month's upturn. Net gain 13.6% over previous November. Retail trade up 20% to 30% over the previous November. Meat packing 38% ahead of previous November. Dec.–Reported retail trade increases over previous December: Chicago 15%, South Bend 25%, Peoria 25%, Quincy 20%, Rockford 80%. Wholesale trade increases 10% to 20%. Trade gains reflected increased pay rolls in automotive equipment lines around Chicago, furniture at Rockford, distilleries at Peoria. Collections improving at most points. Jan.–Chicago retail trade curtailed by rain and influenza epidemic. Industry suffering from effects of automobile strike. Orders booked at Winter furniture market far ahead of recent years. Wholesalers loaded with Spring orders.



12. Detroit—Nov.–After ten months closely parallel to the U. S. average, this index reaches a point 15% above the previous November. Retail trade 20% above last year's high level, reflecting increased employment and employee bonuses. Fewer families on relief. Wholesale trade up 20%. Dec.–Strikes in suppliers' plants curtailed automobile production. Reported retail gains over previous December: Detroit 15%, Grand Rapids 20%, Saginaw 20%. Wholesale trade continued the November trend. Employee bonuses stimulated trade in Grand Rapids. Jan.—Detroit retail trade in first ten days reported at last January's level, wholesale trade up 15%. Automobile labor trouble and warm weather were the retarding factors. Grand Rapids Winter furniture market successful, construction active, auto strike effect minor.

13. Milwaukee—Nov.–A figure 15.4% above the previous November continues this regional index above the national average. Higher prices received for dairy products were offset by drought prices on feedstuffs. Industrial pay rolls in Milwaukee continued satisfactory. Dec.–Reported retail trade increases over previous December: Milwaukee 18%, Green Bay 15%, Madison 20%. Wholesale trade up 15%, but seasonally quiet. Trade stimulated by wage increases, employee bonuses, extra dividends, and increased purchasing power of farmers. Industrial pay rolls continued good. Collections improving. Jan.–First fortnight's retail trade in Milwaukee well ahead of last year. Apparel wholesalers' reports are good, with large Spring orders. Automobile labor troubles not important as yet in this area. Collections good.

14. Minneapolis and St. Paul—Nov.–The upward trend continues, with index slightly above the U. S. average. Retail trade changes over the previous November: Minneapolis, St. Paul, Duluth, Superior +4%, northeastern Minnesota +23%, remainder of Minnesota +6%, North Dakota +5%, South Dakota —10%, Michigan peninsula +7%, northern Wisconsin +10%. Dec.–Reported retail trade increases over previous December: Minneapolis 20%, St. Paul 26%, Duluth 18%, La Crosse 27%, Fargo 11%, Sioux Falls 8%, Billings 15%. Wholesale trade, Minneapolis and Duluth, reported up 15%. Flour milling restricted somewhat, other industries gaining. Shortage of feed restricted profits in dairy districts. Duluth 1936 shipping tonnage largest since 1929. Jan.–Influenza and ice storms retarded shopping somewhat. Collections fair to good.

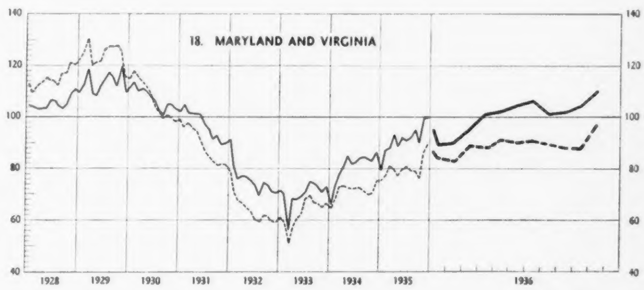


15. Iowa and Nebraska—Nov.–Retail and wholesale trade in eastern Iowa reported well above the previous November. Industrial pay rolls increasing. Western Iowa and Nebraska severely affected by drought. Dec.–Reported retail trade increases over previous December: Des Moines 20%, Cedar Rapids 15%, Davenport 10%, Dubuque 15%, Waterloo 25%, Sioux City 5%, Lincoln 15%, Omaha 8%. Reported wholesale trade increases: Des Moines 20%, Cedar Rapids, Davenport, Waterloo 10%, Sioux City, Omaha 5%. Rain and snow during December improved Winter wheat prospects. Manufacturing pay rolls increasing. Nebraska wheat crop, 60% of normal, corn 20%. Industrial pay rolls increasing. Jan.–Heavy snows in first ten days temporarily retarded Nebraska transportation and retail trade, but were welcomed by Winter wheat farmers.

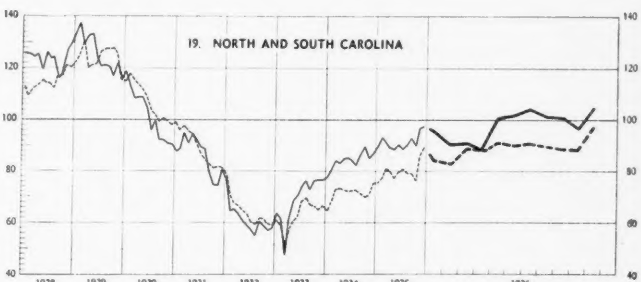
16. St. Louis—Nov.–This region and the Memphis region were the only two in which the November index dropped below October. Net gain only 5% above the previous November. This conflicts with generally optimistic reports from the region. Dec.–Reported retail trade increases over the previous December: St. Louis 18%, Springfield (Ill.) 20%. Wholesale trade up 15% over previous year. Moderate increases in pay rolls and employee bonuses stimulated retail trade somewhat, especially in house furnishings and electrical goods. Home construction active in Quincy and Springfield, Ill. Crops and general business in Springfield, Mo., district adversely affected by drought, but retail trade best in five years. Jan.–St. Louis retail sales maintained a lead of 10% over last January. Industrial pay rolls generally above last January, especially in metal products, brewing, and shoes.

17. Kansas City—Nov.–Moderate rise in index left it ahead of previous November. Department store comparisons with previous November (despite one less shopping Saturday): Kansas City +7%, Oklahoma City +3%, Tulsa —4%, Wichita +9%. Wholesale trade +4%. Dec.–Reported retail trade changes from previous December: Kansas City +15%, St. Joseph almost equal to 1929, Topeka +10%, Wichita +15%, Oklahoma City —20%, Tulsa +20%. Wholesale trade changes: Wichita +15%, Oklahoma City +15%, Tulsa +10%, Kansas City +15%. Winter wheat threatened by drought. Kansas oil production increasing; oil well supplies in demand. Tulsa glass and oil pay rolls decreased slightly. Jan.–Kansas City's first ten days running 10% above last year's retail volume, wholesale trade brisk. Seasonal slump at St. Joseph. Collections only fair.

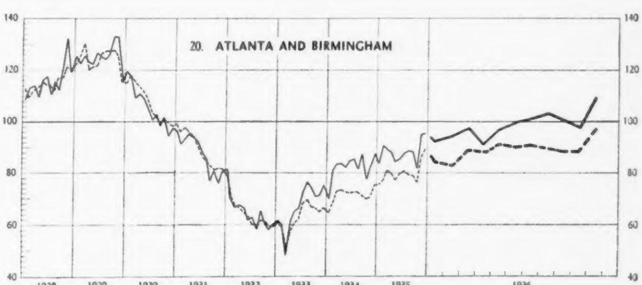
18. Maryland and Virginia—Nov.–With business conditions well above the U. S. average the upward trend was continued. Index 10.3% above the previous November. Dec.–Reported retail trade increases over previous December: Baltimore 20%, Washington 11%, Bristol (Va.) 15%, Lynchburg 10%, Richmond 10%, Norfolk 20%, Roanoke local department stores 15%, chain stores 30%. Reported wholesale trade increases: Baltimore 20%, Norfolk 15%, Richmond 8%, Roanoke 15%. Pay rolls increasing in Baltimore, Norfolk, Richmond, and Roanoke. Construction active in Washington. Better tobacco prices reflected in farm purchasing power. Virginia furniture industry operating near capacity. Jan.–Retail trade in Baltimore, Richmond, and Lynchburg equaled last year's levels. Baltimore wholesale volume ahead of last year.

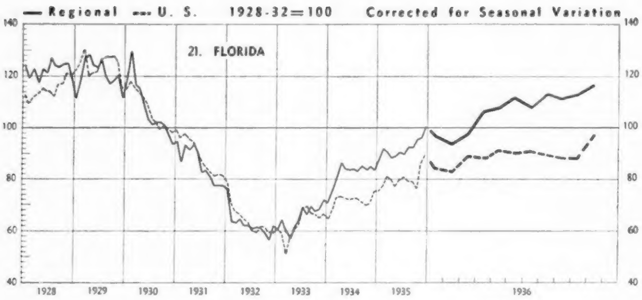


19. North and South Carolina—Nov.–After a Summer boom which placed the index for this area well above the U. S. average, four months of downward trend were reversed. Reported department store increases over the previous November: Winston-Salem 4%, other North Carolina stores 5%, South Carolina 15%. Dec.–Reported retail trade increases over previous December: Asheville, Charlotte, Winston-Salem (N. C.) 15%, Wilmington 25%, Raleigh 15%, Charleston (S. C.) 15%, Columbia 20%, Greenville 15%. Wholesale trade generally reported up 15%. Industrial wage increases general in North Carolina. Better cotton prices reflected in South Carolina farm purchasing power. Jan.–Charleston retail trade 20% above last January, wholesale trade 15% or more. Seasonal activity starting fertilizer plants throughout the region.



20. Atlanta and Birmingham—Nov.–A sharp upturn in the index maintained the lead over U. S. average. Gain of 15% over last November. Cotton crop and prices satisfactory. Industrial plant construction active. Dec.–Reported retail trade increases over previous December: Atlanta 12%, Augusta 25%, Columbus 20%, Macon 20%, Savannah 15%, Birmingham 25%, Montgomery 10%, Knoxville 12%, Nashville 10%. Wholesale trade reported increases: Atlanta 20%, Birmingham 25%, Montgomery 15%, Knoxville and Nashville 15%. More employment, employee bonuses, and wage increases reported. Tennessee tobacco selling at very favorable prices. Jan.–Atlanta and Birmingham retail trade 10% or more above last year's level. Record peace-time steel production in Birmingham, building boom predicted. Collections exceptionally good.



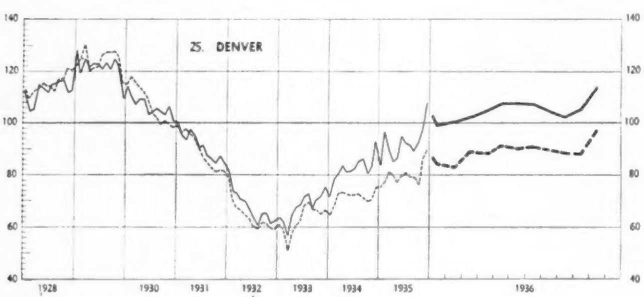


21. Florida—Nov.—The index was 20.9% above last November, largest increase recorded by any of the twenty-nine regions. Jacksonville lumber wholesaling unusually active; returns from citrus fruits and vegetable shipments satisfactory. Tampa cigar industry reported best season in years; citrus prices not satisfactory to West Coast growers. Miami building boom continued. Dec.—Reported retail trade increases over previous December: Jacksonville 15%, Tampa 10%, Miami 15%. Wholesale trade up 8%. Jacksonville lumbering boom continued because of Pacific Coast strike, turpentine and naval stores industry reviving. Slight seasonal decline in Miami construction, estimated 25% more Winter tourists with more money to spend. Collections steady. Jan.—Retail trade recovered from post-holiday slump by January 8. Wholesale trade generally ahead of last year. Heavy tourist traffic.

22. Memphis—Nov.—Although the index dropped 7.4 points below October, the regional trend remained better than the U. S. average, 20% above last November's level. Reported retail trade increases over the previous November: Little Rock 15% (mainly large stores), Fort Smith "best since 1929," Memphis 25%. Dec.—Reported retail trade increases over previous December: Memphis 25%, Little Rock 15%. Memphis wholesale trade increases: dry goods 32%, groceries 10%, hardware 60%. Furniture manufacturing near capacity. Satisfactory cotton prices. Tennessee textile plants running full time, wage increases general, new factories opening. Jan.—Retail trade satisfactory in Memphis, retarded by floods in many Arkansas and Mississippi rural districts. Wholesale volume reported 8% larger than same week last year.

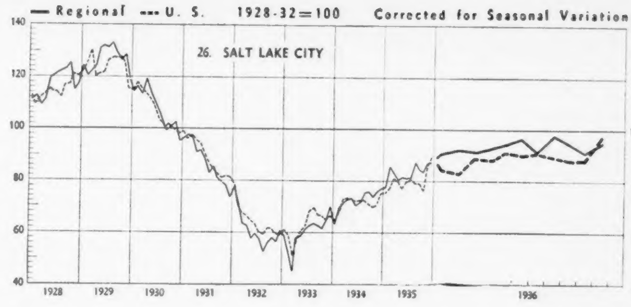
23. New Orleans—Nov.—The rise of the index to 98.7 doubtless indicates a return to normal after the September-October reaction to a new sales tax. November less markedly above the U. S. average level than for recent months. New Orleans department store sales no better than previous November. Southern Mississippi reported largest return in several years from cotton crop. Dec.—New Orleans retail and wholesale trade were reported 20% above previous December, reflecting satisfactory crops and prices, plus increased drilling, production, and refining in petroleum field. Shipping strike unimportant at New Orleans. Jan.—Retail trade at New Orleans reported to be 20% or more above last year's levels, large gain in wholesale dry goods. Southern pine lumber production running 8% ahead of last year.

24. Texas—Nov.—Slight rise in index continued trend which has kept Texas above the U. S. average for three years. Gain of 18% over previous November. Department store increases over the previous November: Dallas 15.8%, Fort Worth 11%, Houston 11.4%, San Antonio 5.6%. Wholesale trade increases generally reported. Dec.—Reported retail trade increases over previous December: Dallas and Fort Worth 25%, Austin and Waco 10%, San Antonio 15%, Shreveport 15%, Houston 25%, Galveston 20%, Wichita Falls 10%, El Paso, 15%. Wholesaling increases: Dallas 20%, Fort Worth 12%, San Antonio 22%, Houston 15%, Galveston no change, El Paso 10%. Construction active in Dallas. Industrial pay rolls increasing at most points. Jan.—Dallas retail volume 30% above last year's level, wholesaling up 15%. Construction active.

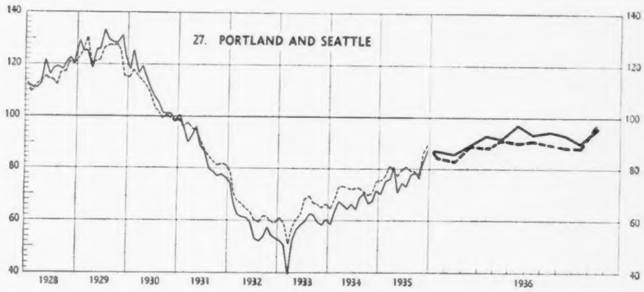


25. Denver—Nov.—Upturn of index retains trend which has kept this region's figures above U. S. average for three years. Gain of 16% over the previous November. Denver department stores, drawing trade from practically all of region, reported sales 7% above previous November, in spite of one less shopping Saturday. New Mexico retail sales, July through November, 14% ahead of last year. Dec.—Reported retail trade increases over previous December: Denver 20%, Albuquerque 25%, other New Mexico towns slightly less because of limited crops. Increased travel benefited transportation pay rolls and encouraged trade. Colorado truck farming area prospering on much higher vegetable prices. Jan.—Retail trade above last year's level. Wholesalers, restocking after good holiday season, anticipate heavy Spring trade.

26. Salt Lake City—Nov.–Although the index turned up slightly after two months of downward trend, the sharper upturn in the U. S. index places this region below average conditions in November. Department store trade was well ahead of November, 1935, and building permits doubled those of the previous November. Range conditions generally good, with cattle and sheep in excellent condition. Coal mining strike had not affected retail trade. Dec.–Salt Lake City retail trade estimated 12% above the previous December, wholesale trade 8%. Coal mining strike was settled with resultant improvement in production. Rainfall reported more satisfactory than the previous December; range conditions good. Jan.–Cold weather pushed retail sales slightly below last year's level. Livestock trading active, prices firmer.

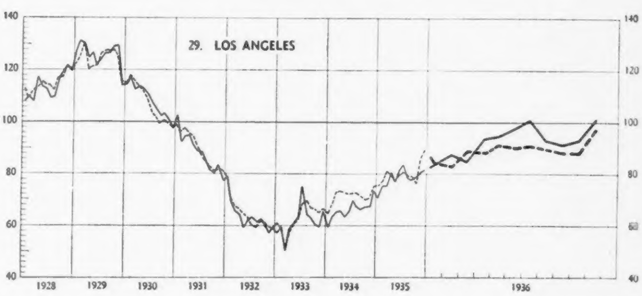


27. Portland and Seattle—Nov.–In spite of shipping strike, the index turned up, but not sufficiently to keep it above the U. S. average. Net gain 15% over the previous November. Many lumber mills closed or operating part-time. Dec.–Reported retail trade increases over the previous December: Seattle 8%, Tacoma 15%, Spokane 6%, Portland 19%. Wholesaling gains: Seattle 12%, Tacoma 12%, Spokane 5%, Portland 19%. Total industrial production and pay rolls above December, 1935, despite strike, but 12,000 in lumber industry estimated out of work. Tacoma building permit value three times December, 1935. Winter wheat prospects around Spokane favorable, other districts drought damaged. Jan.–Retail trade running 10% above last January though maritime strike continues. Unusually cold weather retarded logging.



28. San Francisco—Nov.–In spite of maritime and warehouse strikes, retail sales and automotive sales brought the index to 97.9%, a level approximately equal to the previous November. Cotton crops and prices good in Fresno. Agricultural implements and electrical appliances selling briskly. Dec.—Retail trade reports: San Francisco same as previous December, Oakland +12%, Fresno +25%, Sacramento +13%. San Francisco wholesale trade estimated off 20% from previous December because of strike. Oakland wholesale trade slightly improved. Fresno conditions prosperous, raisin crop and prices good. Jan.–Warehouse strike settled, but shipping strike continues; some favorable effect on retail trade. Industry curtailment is least in steel and electrical goods. Women's apparel makers are proceeding cautiously.

29. Los Angeles—Nov.–The 12.3% rise in the index over the previous November matched the U. S. average. Department store sales 10% to 12% ahead of last November. Dec.–Los Angeles department stores reported sales 15% above the previous December. Wholesale trade +10%. Construction continued active in San Diego. Phoenix, Ariz., business reported 43% ahead of previous December. Wholesale trade better than last December. Jan.–Los Angeles retail trade above last year's level, despite unfavorable weather. Wholesale trade temporarily dull awaiting Market Week, but furniture, hardware, and electrical supplies continued active. Industry still hampered by shipping strike, but factories possessing materials are busy. Construction fairly active. Crops damaged only slightly by frost and rain. Collections good.



ANALYZING THE 1936 RECORD OF COMMERCIAL FAILURES

DECEMBER completed the year with 692 commercial failures, bringing the 1936 total to 9,185 cases with estimated total liabilities of $147,000,000. In 1935 there were 11,510 failures with $183,000,000 of liabilities. This total for 1936 continues a five-year steady decline since the peak of failures in January, 1932.

With failures at their present unusually low level, it may well be that we have passed through not only the period of exceedingly high failures following the disorganization of business after 1929, but also the period of watchful waiting which has resulted in three years of failures at a level below that prevailing in so-called normal years. Over a long range of time the yearly rate of failures has shown surprisingly little variation. The accompanying diagram of the course of DUN'S insolvency index since 1895, which makes allowance for changes in the number of business enterprises, shows that except for periods of unusual upheaval such as that following the war and that of the present time, the annual rate has varied upward or downward from 100 failures in every 10,000 firms, or one per cent, with a relatively small spread. No long term trend upward or downward is clearly apparent. If it were not for the record of the last four years, one would have the impression that the rate of failure has been increasing in the long run. From 1899 to 1914, the rate was above the 100 line only in 1908. The war years saw wide fluctuation, but during the next period of any stability, that from 1921 to 1933, the rate fell below 100 only in 1923. And 1932 recorded the highest average rate in the entire period. However, the last four years have changed the character of the chart most decidedly. In sharp contrast with this upward trend is the 1936 picture, with its average rate close to the lowest level ever reached. The statistical evidence certainly seems to indicate that the present low level is decidedly abnormal.

COMMERCIAL FAILURES, 1895-1936

(Liabilities in thousands of dollars)

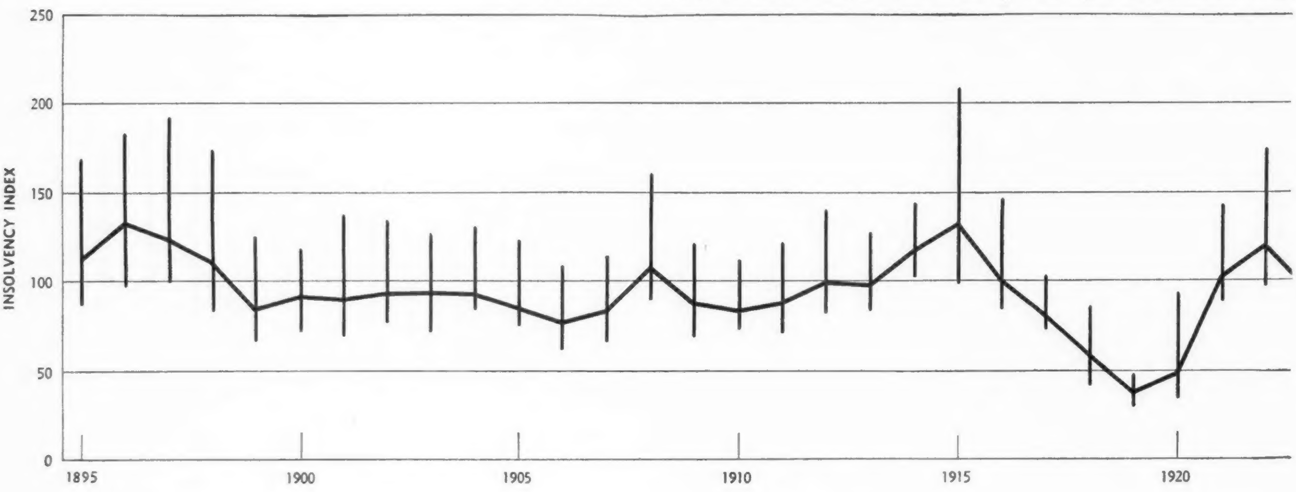
Year	No.	Liabilities	Year	No.	Liabilities
1895....	13,197	173,196	1916....	16,993	196,212
1896....	15,088	226,101	1917....	13,855	182,441
1897....	13,351	154,333	1918....	9,982	163,020
1898....	12,186	130,663	1919....	6,451	113,291
1899....	9,337	90,881	1920....	8,881	295,121
1900....	10,774	138,496	1921....	19,652	627,401
1901....	11,002	113,091	1922....	23,676	623,895
1902....	11,615	117,477	1923....	18,718	539,387
1903....	12,069	155,444	1924....	20,615	543,226
1904....	12,199	144,202	1925....	21,214	443,744
1905....	11,520	102,676	1926....	21,773	409,233
1906....	10,682	119,202	1927....	23,146	522,105
1907....	11,725	197,386	1928....	23,842	489,559
1908....	15,690	222,316	1929....	22,909	483,252
1909....	12,924	154,340	1930....	26,355	668,282
1910....	12,652	201,757	1931....	28,285	736,310
1911....	13,441	191,062	1932....	31,822	928,313
1912....	15,452	203,118	1933*...	19,859	457,520
1913....	16,037	272,673	1934....	11,724	230,198
1914....	18,280	357,909	1935....	11,510	183,013
1915....	22,156	302,286	1936....	9,185	147,253

* Series revised from 1933 on. Original 1933 figures 20,307 and $502,830.

The chart presents for each year a vertical bar, showing the spread between the high and low month. The connecting line, joining the averages for each year, gives the basic trend. The monthly figures since 1932 are presented separately.

The past three years have been those in which the amendment to the Bankruptcy Act popularly known as Section 77-B has been in operation, creating a special category for corporations in financial difficulties with sufficient assets above liabilities to warrant reorganization. The last part of this discussion is devoted to the 77-B cases, which should be considered in any

DUN'S INSOLVENCY INDEX—HIGH, LOW, AND AVERAGE



approach to the subject of business failures.

The slight increase of the current December figure over November was due to a longer month, as the insolvency index shows. The index is the most significant single figure in the failure record. It adjusts the original data which are in terms of the number of reported failures, so that the underlying movement and trend of insolvency is depicted more accurately. It pictures the annual rate at which business concerns would fail if the number of actual failures in any one month and the estimated total number of business enterprises in existence at that time prevailed throughout the year. The number of firms in business is determined from the names listed in the Dun & Bradstreet Reference Book.

Number of Failures by Months

	1936	1935	1934	1933
January	1,077	1,146	1,317	2,889
February	586	956	1,017	2,367
March	946	940	1,069	1,912
April	830	1,083	1,020	1,902
May	832	1,004	942	1,846
June	773	944	992	1,596
July	639	902	870	1,375
August	655	884	872	1,427
September	586	787	771	1,075
October	611	1,056	1,039	1,167
November	688	898	882	1,195
December	692	910	933	1,108
Total U. S.	9,185	11,510	11,724	19,859

Liabilities

(Thousands of dollars)

	1936	1935	1934	1933
January	18,104	14,603	29,035	77,064
February	14,089	15,217	16,772	63,694
March	16,271	15,361	24,002	44,806
April	14,157	16,529	22,871	49,522
May	15,375	14,339	20,787	43,469
June	9,177	12,918	20,591	31,697
July	9,904	16,523	16,555	22,980
August	8,271	13,266	15,703	37,287
September	9,819	17,002	15,552	16,663
October	8,266	17,185	16,973	27,254
November	11,532	14,384	14,376	21,210
December	12,288	15,686	16,981	21,874
Total U. S.	147,253	183,013	230,198	457,520

The adjustment of the December figure resulted in a decrease in the index from 44.3 failures in every 10,000 firms in November to 42.5 in December. Such a decline at the end of the year has been the usual movement in these recent years when the entire course of failures has been downward, but between 1920 and 1933 the December index stood above that of November in every year.

The swift drop in failures during 1932 and 1933 and the level course since then has tended to disguise any decided seasonal movement and there has been less spread than usual between the high and low points in the last years. In times when failures run their regular course there is a definite yearly trend which starts with a high January and reaches a low point in August or September after a slight upward turn in the Spring. After September, failures in the remaining Fall months and Winter months rise again to the high point in January.

The level of liabilities has approached that of the period of low failures during the war and is below $150,000,000 a year for the first time since 1919. Of course, the year-to-year amount of liabilities involved in bankruptcy is affected directly by the trend of large failures. The financial losses occasioned by these failures provide a much more sensitive indicator of business conditions than failure figures in general. The following table presents failures with reported liabilities of $100,000 or over and their proportion of all failures for the last three years:

	Number	Per Cent	Liabilities	Per Cent
1934	469	4.0	$97,922,000	42.5
1935	280	2.4	63,980,000	35.0
1936	178	1.9	54,663,000	37.1

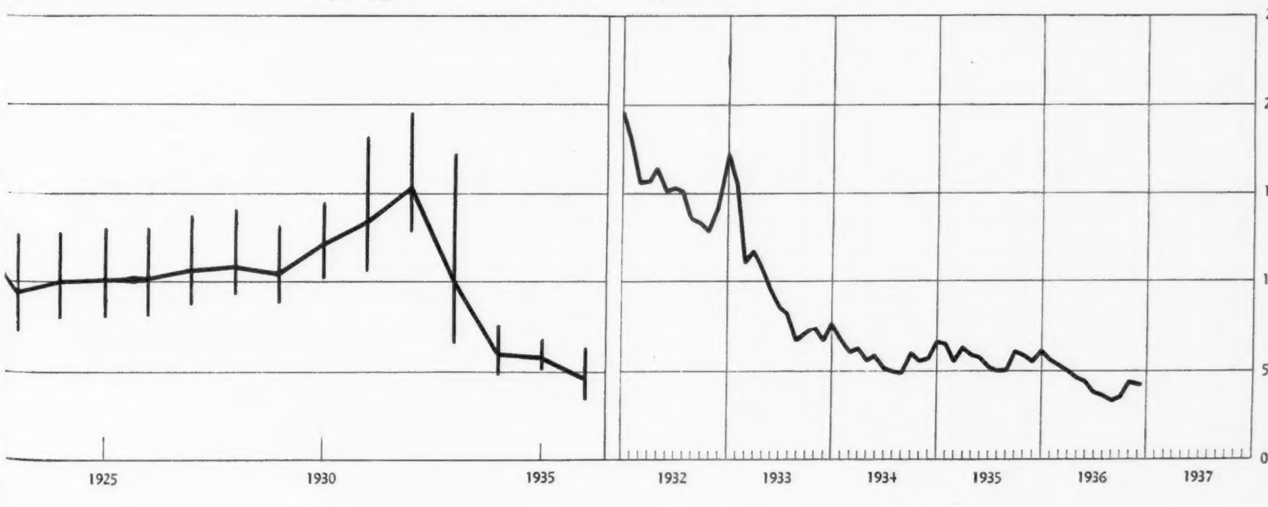
As might be expected, the greatest number of these occurred among manufacturing concerns and construction companies.

Dun's Insolvency Index

Apparent Annual Number of Failures for Each 10,000 Listed Commercial Enterprises

	1936	1935	1934	1933
January	62.8	66.7	77.0	172.5
February	56.4	66.0	67.3	155.4
March	53.0	55.0	60.4	109.1
April	50.3	63.5	62.4	117.3
May	46.3	58.8	55.4	107.8
June	44.5	57.5	58.4	94.4
July	38.2	52.8	51.2	84.6
August	36.2	49.8	49.5	80.9
September	33.4	50.0	48.8	65.7
October	35.9	61.8	60.7	71.1
November	44.3	59.4	55.8	75.8
December	42.5	53.3	56.6	67.4
Monthly Average	45.3	57.9	58.6	100.2

POINT IN EACH YEAR 1895-1936 AND MONTHLY 1932-1936



A majority of the large failures are old, well-established concerns, some of them under a single family control until recent years when new interests bought in. One exception is the breweries which sprang up with the repeal of prohibition. Many of them, after heavy expenditures for property and equipment, never reached the state of profitable operation.

Only a little over half of these cases were incorporated. Forty per cent were under individual proprietorship and 7 per cent were partnerships. There were a number who had sought reorganization under 77-B, but were either unable to work out a settlement or had failed to carry out the approved plan.

Considering the breakdown of all failures into industrial groups, as shown in the accompanying table, a striking feature of the two-year comparison is the uniformity of participation by the major groups. Not only during 1936 and 1935, but also in 1934, 18 per cent of all failures were in manufacturing and 62 per cent in retail trade. Since 1934 there has been a slight increase in the proportion of wholesale trade failures to the whole and a decrease in failures in construction firms and commercial services. Lines of business in which there has been great improvement during the last year are apparent in the table, as well as those in which there are still unsettled conditions with large losses.

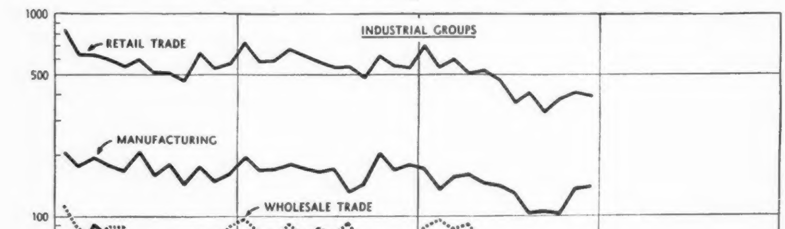
Generally speaking, however, in manufacturing and retail lines, which together constitute over three quarters of the total, failures have fallen about equally, both in numbers and losses. Wholesale trade has seen less improvement than any other group. In fact, in some wholesale lines there have been actual increases this year in numbers though they were accompanied by fewer losses. Failures in construction and commercial services, though moving erratically from month to month, end the year with a better showing than any of the groups. The increased liabilities connected with construction failures should doubtless be laid at the door of speculative real estate ventures rather than true construction operations.

The trend of failures in the five major industrial groups is shown in the diagram on a scale which indicates rate of change from month to month and brings into relationship changes in groups as differing in size as retail trade and commercial service.

In December, the number of failures showed little change from November in most of the groups. However, failures in wholesale trade jumped up to the highest point since last April, and was the only group to exceed the number of failures in December, 1935. Offsetting this in the total, was a decline in retail failures of exactly the same number as wholesale had increased.

We have already spoken of the influence and course of the very large failures but it is interesting to consider also what, if any, are the changes that may be taking place in the relative size of failures as a whole and in the major industry groups. In analyzing failures by size the best available measure is the estimated amount of liabilities, although of course debts are not necessarily in direct proportion to sales or capital invested. As the advent of 77-B in the middle of 1934 tended to attract to itself many of the larger cases it is not proper to include 1934 in the comparison. Considering then the two last years it is found that the proportion of failures in the various size groups

Failures by Industrial Groups and Size of Liabilities



Failures by Divisions of Industy
Yearly Totals and December, 1936 and 1935

(Liabilities in thousands of dollars)

	Number				Liabilities			
	Total 1936	Total 1935	Dec. 1936	Dec. 1935	Total 1936	Total 1935	Dec. 1936	Dec. 1935
Manufacturing								
Foods	431	516	36	35	9,713	10,673	774	645
Textiles	331	469	27	47	7,095	9,691	477	763
Forest Products	137	166	15	11	3,949	5,990	329	905
Paper, Printing and Publishing	140	143	11	12	3,888	3,037	144	186
Chemicals and Drugs	61	87	5	10	1,411	2,151	27	196
Fuels	32	33	4	7	2,325	2,375	57	831
Leather and Leather Products	68	84	10	7	2,121	2,116	696	71
Stone, Clay, Glass and Products	43	60	3	6	1,814	2,566	145	109
Iron and Steel	73	102	6	8	1,973	4,845	48	198
Machinery	77	101	9	8	2,275	2,515	234	128
Transportation Equipment	39	40	2	1	1,247	1,392	69	10
All Other	214	256	13	28	3,595	4,534	121	316
Total Manufacturing	1,646	2,057	141	180	41,406	51,885	3,121	4,358
Per cent of total	17.9	17.9	20.4	19.8	28.1	28.3	25.4	27.8
Wholesale Trade								
Farm Products, Foods, Groceries	398	432	28	26	7,962	9,105	3,014	673
Clothing and Furnishings	54	70	4	6	622	1,602	39	61
Dry Goods and Textiles	15	42	3	3	423	990	167	57
Lumber, Building Materials, Hardware	81	65	4	4	2,382	2,237	96	32
Chemicals and Drugs	37	35	3	3	510	455	42	24
Fuels	35	31	1	4	1,149	1,206	1	505
Automotive Products	56	52	9	5	975	638	248	70
Supply Houses	49	69	8	8	907	1,042	149	53
All Other	191	187	18	16	3,795	3,389	197	136
Total Wholesale Trade	916	983	78	75	18,725	20,664	3,953	1,611
Per cent of total	10.0	8.5	11.3	8.2	12.7	11.4	32.2	10.3
Retail Trade								
Foods	1,798	2,395	124	189	11,334	17,867	816	1,011
Farm Supplies, General Stores	280	332	15	32	2,215	4,283	94	431
General Merchandise	259	349	21	19	3,492	3,683	217	311
Apparel	1,028	1,221	72	113	7,559	8,981	552	808
Furniture, Household Furnishings	237	275	18	20	3,181	4,005	90	209
Lumber, Building Materials, Hardware	344	436	24	27	3,874	5,586	209	198
Automotive Products	411	491	27	43	6,041	7,074	248	438
Restaurants	459	590	36	37	5,827	9,712	423	731
Drugs	436	581	31	39	3,605	4,791	251	249
All Other	406	468	30	29	6,087	6,614	235	391
Total Retail Trade	5,658	7,138	398	548	53,215	72,596	3,135	4,777
Per cent of total	61.6	62.0	57.5	60.3	36.1	39.7	25.5	30.5
Construction								
General Contractors	87	128	6	10	3,578	7,939	246	675
Carpenters and Builders	145	178	12	17	15,135	6,781	929	549
Building Sub-Contractors	250	348	24	26	6,236	5,685	290	744
Other Contractors	14	22	1	1	699	722	136	3
Total Construction	496	676	43	54	25,648	21,127	1,601	1,971
Per cent of total	5.4	5.9	6.2	5.9	17.5	11.5	13.0	12.6
Commercial Service								
Cleaners and Dyers, Tailors	108	174	7	15	966	2,039	69	272
Haulage, Buses, Taxis, etc.	125	137	10	7	2,593	3,199	256	96
Hotels	48	83	1	7	2,450	5,429	15	1,674
Laundries	29	61	2	7	280	1,146	10	111
Undertakers	45	60	5	8	415	805	65	55
All Other	114	141	7	9	1,555	4,123	63	761
Total Commercial Service	469	656	32	53	8,259	16,741	478	2,969
Per cent of total	5.1	5.7	4.6	5.8	5.6	9.1	3.9	18.8
Total U. S.	9,185	11,510	692	910	147,253	183,013	12,288	15,686
Per Cent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

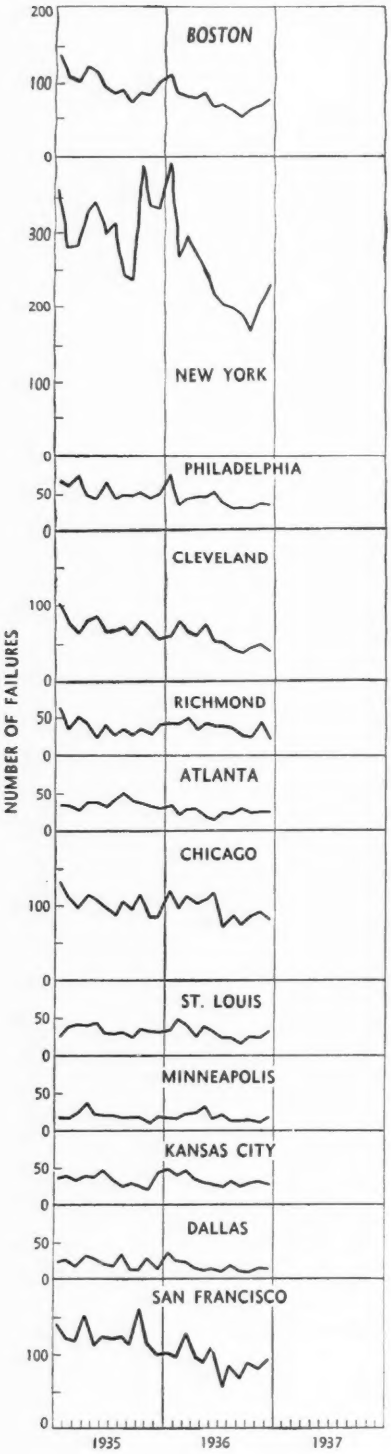
appears to be as standardized as the proportion in industry groups. Failures with liabilities under $5,000 constituted 43 per cent of all failures in both years; those with liabilities between $5,000 and $25,000 increased in 1936 only 1 per cent to a representation of 45 per cent which left a decrease of 1 per cent in failures with liabilities over $25,000.

The diagram shows how similar is the size of the two groups containing failures with liabilities under $5,000 and from $5,000 to $25,000, and also how similar has been their monthly rate of change, particularly during this last year.

Within the industry groups there was a tendency toward more very small failures in manufacturing, which in 1936 constituted 28 per cent of all manufacturing failures. In retail trade the proportion of very small failures was constant at 52 per cent. In construction the turn this year has been away from small carpenters and builders to larger contracting firms.

The December record, when compared with November, shows a movement toward larger failures. The only size group to decline was the smallest one. The largest increase was in the group with liabilities between $25,000 and $100,000, where the number was the largest since May. However, the group with liabilities exceeding $100,000 was appreciably above the monthly average for the year. The longer trend, as is indicated in the chart, has been one of more rapid decline in the larger groups.

With 2,325 fewer failures this year, or a 20.2 per cent reduction from 1935, the question arises as to which part of the country experienced the greatest amelioration of business troubles. A tabulation of all failures by Federal Reserve Districts shows that the average reduction of 20.2 per cent was slightly exceeded by the Dallas and Philadelphia Districts, with Boston, New York, Cleveland and San Francisco following in order, and with Atlanta registering the greatest im-



Failures in Federal Reserve Districts show different trends in various parts of the country.

provement or a 32.1 per cent decrease from last year.

The geographical scattering of these districts indicates that no one section of the country has shown outstanding improvement, but it may be noted that they constitute what might be called a fringe of districts around the great agricultural sections of the country, and we find only a 10 per cent or less change for the better in the St. Louis, Minneapolis, Chicago, Richmond and Kansas City Districts in the order named, with Kansas City with as low as a 4.5 per cent decrease.

In several areas, the 1936 record was appreciably affected by the severe March floods. In Pennsylvania, failures rose from 52 in March to 76 in May, and in New England, a similar tendency was evident.

As between the larger cities and the less thickly populated sections of the country there appears to be no choice so far as decreasing failures is concerned, nor has there been any shift this year in the proportion of failures occurring in the two divisions. These conclusions are based on a tabulation of failures in the twenty-five largest cities in the country. In both 1935 and 1936, 43 per cent of all failures were in the large cities, and in both the cities and the balance of the country there was a 20 per cent decline from last year. Nevertheless, changes within individual large cities have varied greatly. The size of the city appears to have had little effect on these changes since, for instance, among the five largest cities, New York and Philadelphia experienced about a 24 per cent decline, Los Angeles a 50 per cent decline, and Chicago only 4 per cent, while Detroit saw an increase of 16 per cent.

Complete information on failures in all of the principal twenty-five cities is to be found in the Statistical Supplement of DUN'S REVIEW, as well as detailed tabulations by all the various breakdowns herein mentioned. There will also be found there a very detailed breakdown of the industrial groups by quarters since the end of 1934.

Canadian Failures

Commercial failures in Canada have experienced the same five-year decline since the peak early in 1932 that this country has, although the pattern has been somewhat different. Failures totaled 1,238 in 1936 with reported liabilities of $11,314,000, compared with 1,367 with liabilities of $13,094,000 last year.

Since 1934 both countries have shown about a 23 per cent improvement in the number of failures, but whereas United States failures were practically on a level during 1934 and 1935 with a greater decline this past year, Canadian failures showed more improvement in 1935 with a somewhat slackening rate this year.

To a considerable degree, however, the Canadian failure record parallels

FAILURES IN FEDERAL RESERVE DISTRICTS BY DIVISIONS OF INDUSTRY
DECEMBER, 1936

(Liabilities in thousands of dollars)

District	Manufacturing		Wholesale Trade		Retail Trade		Construction		Commercial Service		Total	
	No.	Liab.	No.	Liab.	No.	Liab.	No.	Liab.	No.	Liab.	No.	Liab.
Boston .... (1)......	13	264	6	25	41	343	12	388	6	128	78	1,148
New York..... (2)......	64	1,497	29	3,150	112	839	10	653	12	207	227	6,345
Philadelphia .. (3)......	5	48	3	12	23	207	2	55	2	46	35	368
Cleveland ..... (4)......	10	445	4	15	23	158	1	105	2	34	40	757
Richmond .... (5)......	4	70	3	43	12	81	4	56	..	..	23	250
Atlanta .... (6)......	3	35	4	36	15	70	1	136	1	1	24	278
Chicago ...... (7)......	19	365	12	270	47	542	4	33	..	..	82	1,210
St. Louis...... (8)......	3	55	2	26	25	120	1	3	1	12	32	225
Minneapolis .. (9)......	3	33	1	10	13	84	1	15	1	1	19	143
Kansas City....(10)......	5	58	2	7	17	116	..	..	3	26	27	207
Dallas ....(11)......	1	10	..	..	12	161	..	..	..	..	13	171
San Francisco..(12)......	11	241	12	359	58	405	7	157	4	23	92	1,185
Total U. S..............	141	3,121	78	3,953	398	3,135	43	1,601	32	478	642	12,288

that of the United States. The two accompanying tables, showing failures by industrial groups and by months over the past three years, give the key information.

CANADIAN FAILURES BY INDUSTRIAL GROUPS

	Number		
	1936	1935	1934
Manufacturing	260	285	303
Wholesale Trade	63	65	82
Retail Trade	806	879	1,068
Construction	37	58	63
Commercial Service	72	80	84
Total	1,238	1,367	1,600

LIABILITIES

(Thousands of dollars)

	1936	1935	1934
Manufacturing	4,459	5,044	6,056
Wholesale Trade	1,454	1,249	2,518
Retail Trade	4,331	5,202	8,767
Construction	574	689	950
Commercial Service	496	910	751
Total	11,314	13,094	19,042

Within the major industrial groups, failures in construction activities fell most strikingly, with manufacturing, retail trade, and commercial service showing about the average decline of 10 per cent. As in the United States, wholesale failures continued close in number to last year, and in liabilities actually increased.

Detailed tables showing quarterly figures for 1934, 1935 and 1936 in the various industries, provinces and principal cities will be found in the current issue of the Statistical Supplement.

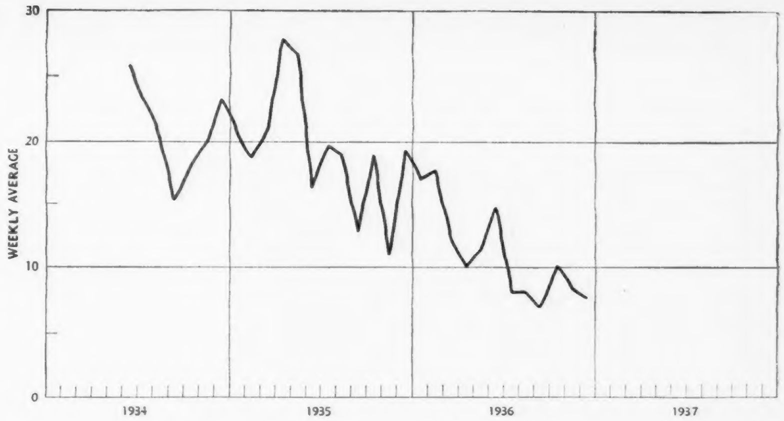
CANADIAN FAILURES BY MONTHS

	Number		
	1936	1935	1934
January	120	149	176
February	138	135	137
March	113	112	141
April	134	111	164
May	101	121	139
June	94	108	99
July	79	124	112
August	78	93	109
September	96	94	89
October	85	106	151
November	95	105	143
December	100	109	140
Total Canada	1,238	1,367	1,600

LIABILITIES

(Thousands of dollars)

	1936	1935	1934
January	1,245	1,094	1,835
February	2,307	982	1,286
March	936	981	1,388
April	893	1,069	2,249
May	753	1,439	2,488
June	557	1,419	1,051
July	707	1,602	1,734
August	1,030	751	931
September	535	884	976
October	800	927	2,006
November	639	1,074	1,349
December	912	872	1,749
Total Canada	11,314	13,094	19,042



77-B cases, expressed as weekly averages prevailing each month, show erratic monthly changes, but over a long period have paralleled the downward course of commercial failures.

77-B CASES AUGMENT COMMERCIAL FAILURES

IN June, 1934, the Section 77-B Amendment to the Bankruptcy Act was passed, providing for the reorganization of companies, which, though solvent, are unable to meet maturing indebtedness and feel that the best protection of creditors lies in the conservation of assets through reorganization. Any corporation which could become bankrupt under the regular Bankruptcy Act may file for reorganization, with the exception of interstate railroads. They in similar situations use Section 77, and their applications are reported by the Interstate Commerce Commission.

With 39 cases in the five-week month of December, the total number of companies applying for corporation reorganization under the provisions of this amendment reached 588 for the current year and 2,239 for the entire period since June, 1934.

The diagram presents the material on the basis of weekly averages prevailing each month, in order to correct for four and five week months. The highest point of the record was in March, 1935, with an average of 28 cases a week. The lowest month so far was September, 1936, with only 7 new cases a week. The month-to-month course of applications has been erratic, but over the two and a half years it has followed the general downward trend of failures.

Of all companies filing petitions, 39 per cent were manufacturing; 10 per cent were wholesale; 18 per cent retail; 1 per cent construction; 10 per cent commercial service; and 22 per cent real estate, financial, and miscellaneous. Over the three-year period there has been a dropping off in the proportion of retail firms, and real estate and financial companies, and an increasing use by wholesale, construction and commercial service firms. Manufacturing firms have continued to be the largest group and have maintained their proportion throughout the three years.

For the current month of December the distribution of the 39 cases was as shown in the accompanying table.

77-B APPLICATIONS BY MAIN DIVISIONS OF INDUSTRY—DECEMBER, 1936 AND 1935

	Dec. 1936	Nov. 1936	Dec. 1935
Manufacturing	17	9	26
Wholesale Trade	4	3	12
Retail Trade	2	3	19
Construction	..	2	..
Commercial Service	4	9	6
Others *	12	8	16
Total	39	34	79

* Not included in tabulation of commercial failures, such as real estate and investment companies.

A word should be said about the method of classification, especially as it applies to the companies enumerated in the last group called "Others." Since the 77-B record is intended to be complete, it necessarily includes companies which are not strictly commercial in nature and these appear in this sixth and last group.

The attempt has been made to differentiate between operating companies and those acting only as real estate or holding companies. This distinction is particularly important among hotel companies and public utilities. If a hotel company merely holds the property and leases the business to an operating unit it is included as a real estate company. If it owns and operates, or only operates, it is classified as a hotel. The same principle is applied to public utilities.

77-B cases are additional to the tabulations of commercial failures and those in comparable classes should be considered in connection with failures to obtain a complete picture of companies whose financial difficulties have brought them to the courts. Of course there is some duplication occurring when a company already in receivership files for reorganization, when a petition is an answer to involuntary bankruptcy, or contrariwise, when a 77-B company is declared insolvent or becomes bankrupt after reorganization efforts have been carried on.

It should be remembered that in general this provision of the law attracts the companies with extensive assets. The measure of liabilities used for commercial failures is not available in these cases, but if we use capital stock as a rough measure of asset strength the commercial companies reported in 1936 would fall proportionately into size groups as follows: roughly a quarter of them had assets under $25,000, a third were capitalized between $25,000 and $100,000, another third between $100,000 and $1,000,000, and the remaining one-tenth were capitalized for over a million dollars.

Quarterly Record of 77-B Applications by Divisions of Industry—1934-1936

	1934			1935				1936				
	June	III	IV	I	II	III	IV	I	II	III	IV	Total
Manufacturing												
Foods	4	27	31	32	24	15	14	15	10	9	12	193
Textiles	4	18	11	10	17	18	7	18	10	6	7	126
Forest Products	3	8	5	9	13	6	7	6	8	2	1	68
Paper, Printing and Publishing	6	12	2	6	11	8	5	5	4	5	1	65
Chemicals and Drugs	1	2	5	5	4	4	3	4	2	1	1	32
Fuels	2	8	7	7	2	10	8	4	3	1	1	53
Leather and Leather Products	1	2	5	8	5	3	2	5	4	1	1	37
Stone, Clay, Glass and Products	1	9	6	8	5	5	6	4	3	..	1	48
Iron and Steel	4	10	11	6	8	6	4	6	2	3	6	66
Machinery	3	9	5	13	10	4	8	5	3	7	1	68
Transportation Equipment	2	2	2	3	2	4	1	1	1	1	..	19
All Other	1	4	10	10	16	9	9	7	11	6	12	95
Total Manufacturing	32	111	100	117	117	92	74	80	61	42	44	870
Wholesale Trade												
Farm Products, Foods, Groceries	3	2	7	7	17	7	8	4	10	2	7	74
Clothing and Furnishings	..	1	..	1	..	..	2	1	..	..	1	6
Dry Goods and Textiles	..	..	..	..	1	2	2	..	..	..	..	5
Lumber, Building Materials, Hardware	1	6	2	6	9	9	4	9	4	5	1	56
Chemicals and Drugs	1	1	1	1	1	..	4	1	..	..	..	10
Fuels	..	2	4	1	2	2	..	1	..	..	..	12
Automotive Products	..	2	3	2	3	..	4	..	2	..	1	17
Supply Houses	2	..	1	2	3	3	..	1	2	1	1	16
All Other	1	4	3	4	5	2	3	3	3	2	2	32
Total Wholesale Trade	8	18	21	24	41	25	27	20	21	10	13	228
Retail Trade												
Foods	..	3	2	7	4	2	7	4	2	..	1	32
Farm Supplies, General Stores	..	..	..	..	2	..	..	..	..	..	..	2
General Merchandise	3	18	8	4	5	4	4	2	3	1	2	54
Apparel	2	6	11	8	16	5	6	13	1	3	3	74
Furniture, Household Furnishings	..	4	4	2	8	6	2	3	3	2	..	34
Lumber, Building Materials, Hardware	..	4	3	3	9	4	2	1	..	1	1	28
Automotive Products	1	4	5	4	2	4	5	4	3	3	..	35
Restaurants	..	7	13	17	9	10	15	8	4	1	2	86
Drugs	..	..	..	1	3	3	3	2	..	..	..	12
All Other	2	4	5	1	5	3	4	2	5	1	1	33
Total Retail Trade	8	50	51	47	63	41	48	39	21	12	10	390
Construction												
General Contractors	..	..	2	..	3	1	1	1	..	..	3	11
Carpenters and Builders	..	..	..	..	..	..	..	..	2	..	..	2
Building Sub-Contractors	..	1	2	1	1	..	..	1	..	..	..	6
Other Contractors	1	..	1	2	..	1	1	2	2	..	..	10
Total Construction	1	1	5	3	4	2	2	4	4	..	3	29
Commercial Service												
Cleaners and Dyers, Tailors	..	2	3	..	2	1	..	2	1	..	1	12
Haulage, Buses, Taxis, etc	..	4	4	2	5	3	4	9	7	6	4	48
Hotels	5	10	10	8	17	13	6	9	5	5	11	99
Laundries	1	1	5	5	2	4	2	6	2	1	..	29
Undertakers	..	..	..	1	..	..	..	..	..	..	..	1
All Other	6	2	4	1	3	3	3	2	2	3	3	32
Total Commercial Service	12	19	26	17	29	24	15	28	17	15	19	221
Others *												
Real Estate, Financial, etc	37	49	52	43	47	28	41	29	27	22	29	406
Clubs, etc	..	2	2	7	6	5	4	1	4	2	6	39
Railroads (intrastate), Terminals	2	1	9	3	3	5	4	..	1	..	..	28
Theaters	3	2	1	..	..	2	..	1	..	..	..	9
Miscellaneous	1	4	3	1	2	2	3	3	..	..	..	19
Total Others	43	58	67	54	58	44	52	34	32	24	35	501
Total U. S.	104	257	270	262	312	228	218	205	156	103	124	2,239

* Not included in classification of commercial failures.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY STATISTICAL STAFF OF "DUN'S REVIEW"

Bank Clearings for 1936 Reach Five-Year High

STATISTICALLY, the year of 1936 passed leaving some strong indications that a definite upward swing had appeared on the business horizon. One of these was bank clearings figures which measure, to some extent, the ebb and flow of business through check transactions in all parts of the country. The total for twenty-two leading cities in the United States was $298,942,235,000, or 9.5 per cent in excess of the $273,081,447,000 in 1935. The previous high was reached in 1931, when the volume was $379,616,000,000.

Many important factors in the year contributed to the rise. Among these were higher commodity prices, increased buying, higher income tax payments, and extra dividend disbursements.

At New York City, the amount recorded aggregated $193,548,797,000, or 6.6 per cent in excess of the $181,551,008,000 in 1935. Not since 1930 has the total at that city been so high. All other centers registered substantial gains over the 1935 amounts. Pittsburgh, Cleveland, and Dallas, each advanced over 20 per cent, and nine others were over 15 per cent above the totals for a year ago.

MONTHLY BANK CLEARINGS
(000,000 omitted)

	1936	1935	1934
January	$25,262	$23,319	$19,763
February	22,065	19,108	19,043
March	26,610	24,354	21,803
April	24,711	22,809	22,715
May	22,473	23,103	21,250
June	26,148	22,392	21,279
July	24,918	24,291	19,821
August	21,269	22,313	18,237
September	23,927	20,986	17,928
October	25,852	24,076	19,436
November	24,554	22,241	17,761
December	31,153	24,089	21,732
Total	$298,942	$273,081	$240,768

DAILY AVERAGE BANK CLEARINGS
(000 omitted)

	1936	1935	1934
January	$971,615	$896,885	$760,115
February	959,348	868,545	865,591
March	1,023,446	936,678	807,519
April	950,423	877,269	908,600
May	898,917	888,558	817,307
June	1,005,692	895,680	818,423
July	958,385	934,269	792,840
August	818,038	826,407	675,444
September	957,080	874,417	747,000
October	994,308	926,000	747,538
November	1,116,091	967,000	740,042
December	1,198,192	963,560	869,280
Monthly Average	$987,628	$904,606	$795,808

December bank clearings totaled $31,153,000,000, a rise of 26.9 per cent from the $24,554,000,000 in November, and an increase of 29.3 over the total for December, 1935. This figure topped the aggregate for every month back to July, 1931, and showed the largest turnover for any December since 1930.

Building Permit Values

THE BUILDING industry forged ahead in December, contrary to the usual expectation of a slight decline for the period. Permit valuations for December for the 215 cities regularly reporting to DUN & BRADSTREET, Inc., reached $83,562,063 and represented the largest December total in six years. This was also an increase of 32.7 per cent over the corresponding 1935 figure, while the gain over the November aggregate of $75,506,623 was 10.7 per cent.

BUILDING PERMITS—215 CITIES

Groups:	December 1936	December 1935	Change P. Ct.
New England	$7,244,898	$6,141,161	+ 18.0
Middle Atlantic	22,953,012	19,695,764	+ 16.5
South Atlantic	7,727,746	5,156,032	+ 50.0
East Central	17,016,511	8,780,658	+ 93.8
South Central	10,299,696	6,932,767	+ 48.6
West Central	3,216,717	6,897,402	— 53.4
Mountain	1,243,705	643,767	+ 93.3
Pacific	13,859,778	8,744,488	+ 58.5
Total U. S.	$83,562,063	$62,992,039	+ 32.7
New York City	$16,363,201	$14,210,205	+ 15.2
Outside N. Y. C.	$67,198,862	$48,781,834	+ 37.8

Groups:	Twelve Months 1936	Twelve Months 1935	Change P. Ct.
New England	$55,436,407	$41,748,198	+ 32.8
Middle Atlantic	306,578,305	197,031,051	+ 55.6
South Atlantic	105,774,917	65,290,987	+ 62.0
East Central	186,954,766	96,293,932	+ 94.2
South Central	105,156,238	54,980,200	+ 91.3
West Central	44,022,519	38,352,892	+ 14.8
Mountain	20,349,895	12,190,531	+ 66.9
Pacific	156,228,568	90,798,917	+ 72.1
Total U. S.	$980,501,615	$596,686,708	+ 64.3
New York City	$211,880,708	$141,397,239	+ 49.8
Outside N. Y. C.	$768,620,907	$455,289,469	+ 68.8

The upward trend of the past three years lifted the total volume of building permits for the full twelve-month period of 1936 for the 215 cities to $980,501,615, or the largest since 1931 when permit values slightly exceeded a billion dollars. The latest figures showed a gain of 64.3 per cent over the 1935 total, and was more than three times the 1933 aggregate of $313,676,276.

The Trend of Prices

THE TREND in wholesale commodity prices during the final month of 1936 was sharply upward, continuing the steady rise which began in June of last year. The DUN & BRADSTREET Wholesale Commodity Price Index as of January 1 stood at $11.1360, the highest level attained since April, 1930, when it stood at $11.1833. The January 1 index represented an advance of 3.2 per cent as compared with a month previous, and followed a gain of 5.6 per cent during the period from November 1 to December 1. Since January 1, 1936, the general price level has risen 7.4 per cent, while the gain over the 1936 low point of $9.7374, reached on June 1, last, amounts to 14.4 per cent.

Price changes in the commodity groups and in individual commodities from December 1, 1936, to January 1, 1937, were as follows:

Groups	Commodities
11 Advances	48 Advances
1 Decline	7 Declines
1 Unchanged	47 Unchanged

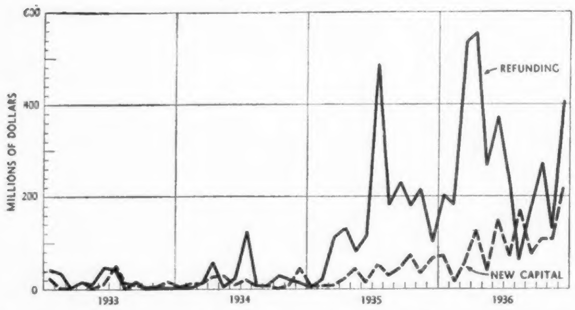
In the following table are set forth the groups comprising the DUN & BRADSTREET Wholesale Commodity Price Index for the latest date, together with comparisons for the previous month and year:

Groups:	Jan. 1, 1937	Dec. 1, 1936	Jan. 1, 1936
Breadstuffs	$0.1632	$0.1450	$0.1087
Livestock	.3651	.3353	.3298
Provisions	2.9326	2.8834	3.0066
Fruits	.2426	.2438	.2401
Hides and Leather	1.1238	1.0950	1.0600
Textiles	3.1788	3.1051	2.9109
Metals	.8293	.8080	.7515
Coal and Coke	.0119	.0118	.0117
Oils	.6098	.5569	.5271
Naval Stores	.1353	.1236	.1239
Building Materials	.1377	.1295	.1066
Chemicals and Drugs	.8436	.8436	.8471
Miscellaneous	.5623	.5085	.3401
Total All	$11.1360	$10.7895	$10.3641

THROUGH THE STATISTICIAN'S EYES

SIGNIFICANT FACTS FROM THE STATISTICS OF TRADE AND INDUSTRY

Corporate Financing



CORPORATE FINANCING—*Capital flotations for refunding operations increased rapidly in 1935; new capital flotations advanced more slowly.*

FOR many months, new capital appeals originated largely in meeting relief needs of States and municipalities, and the financing of various federal activities. As business has continued to improve, however, demands on the capital market have begun to appear by private industry.

First to recover and still most important, are refunding operations. Some of them are virtually automatic, occurring at the termination of some other issue. Others represent the desire to take advantage of low money rates by replacing an issue bearing higher rates of interest by one at current low levels. While these operations frequently serve to strengthen the financial structure of a corporation, they represent in fact an exchange of obligations, not necessarily affecting directly the operations or assets of the company.

New capital flotations were slower to advance, but the record for 1936 is impressive when compared with the years immediately before. In many instances, these represent expansion or reconditioning of enterprises. Uncertainty as to the status of business and political conditions, and the fear of possible changes in the value of money, have discouraged new financing. However, the recent record indicates a decided upturn in confidence.

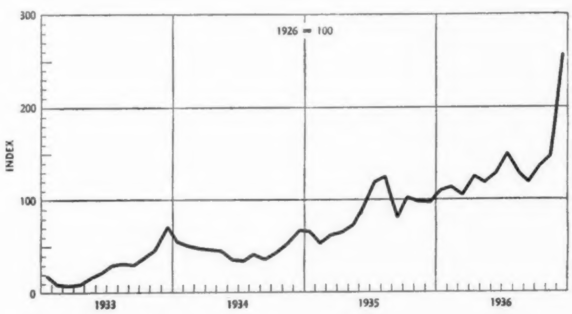
These new capital flotations should not be regarded as measuring accurately the amount of capital going into new plant and equipment. In some instances, such issues may represent the funding of indebtedness already incurred; in others, it may be the financing of investment enterprises which will devote the money to the purchase of already existing securities; in others it may cover the financing of the purchase of existing properties. On the other hand, much expansion is financed out of surplus without requiring any new funds from the capital markets.

The capital flotations series are significant primarily as indicating the state of the capital market. To consider the question of the nation's capacity to produce, one must turn to data concerning plant and equipment.

Machine Tools

ANOTHER indication of the same state of the business mind as is shown by the rise in new capital flotations, is the extraordinary advance in new orders for machine tools. After many months of fractional activity, the industry began to see signs of cheer in the middle of 1935. Since then, the rate has been high, with December, 1936, so far above previous months that it looks like a statistician's error.

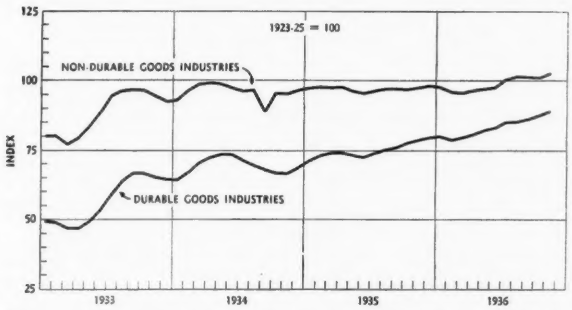
A considerable part of these orders is for foreign markets. There is no way of telling how much of the domestic business is replacement and how much is new installation. Undoubtedly, in the domestic field, the early years of the depression saw many companies making little effort to keep up with depreciation and obsolescence, who now find themselves unable to compete without new equipment. On the other hand, the number of new enterprises which are now being formed, and the plant expansion programs of many of the older companies, indicate that much of this business represents new capacity.



MACHINE TOOLS; NEW ORDERS—*The 1933 monthly average was 27.1, but the December, 1936, figure was 257.0 and the 1936 monthly average was well over 100. Foreign orders helped.*

From the point of view of the machine tool industry itself, the picture is extremely encouraging. Inasmuch as the series represents new orders, it clearly forecasts a high rate of production for many months. Machine tools are not made over night.

Durable and Non-Durable Goods



Factory Employment in the Durable and Non-Durable Goods Industries—*Employment in the durable goods industries (lower line) is improving more rapidly, but it started lower and is still behind non-durable industries' employment.*

The depression hit the durable goods much more severely than the non-durable goods industries. Clear evidence of this is presented by the new adjusted factory employment indexes of the Federal Reserve Board of Governors. While durable goods have shown much the greater improvement, they started from so much lower a base that they still are decidedly below when measured in terms of employment.

These two indexes depict factory employment rather than the volume of production. Undoubtedly, output has shown an even wider fluctuation, since there are always many overhead and maintenance jobs which do not vary in direct proportion with production.

Within these broad groups, there are wide differences in level. The major sub-divisions were as follows in November, 1936. (1923-1925 = 100):

Durable goods	89.3	Non-durable goods	102.9
Iron, steel products	98.1	Textiles, products	104.4
Machinery	110.1	Leather products	94.8
Transportation equipment	110.7	Food products	112.9
Railroad repair shops	60.8	Tobacco manufactures	62.5
Non-ferrous metals, products	106.6	Paper, printing	103.5
Lumber products	66.0	Chemicals, petroleum products	117.7
Stone, clay, glass products	66.1	Rubber products	99.0

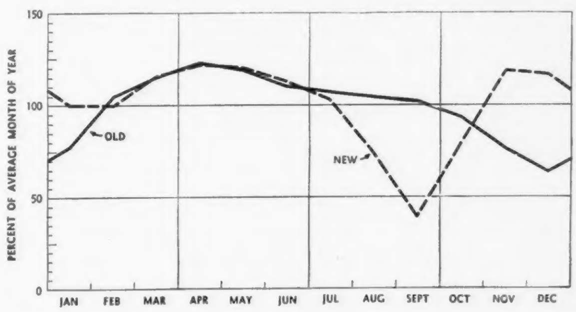
It is interesting to note that, within the durable goods industries, those dealing with metals and metal products have an excellent record, but the building material industries are the ones which are lagging, although they are above the levels of recent years. This reflects the fact that, although construction has been advancing, it still is far below the levels of pre-depression years.

Among the non-durable goods, the only industry whose index is far below the 1923-1925 level is tobacco manufactures. Inasmuch as this is an industry whose production has been well maintained even throughout the depression, it would appear that the employment figure reflects an increased use of machinery in the manufacturing process. The highest level of employment, when compared with the low period, is in the chemical and petroleum products industries.

The Changed Automobile Season

Much has been published in newspapers and periodicals during the past year as to what the probable effect would be on the automobile industry of advancing the date for introducing new models. The Federal Reserve Board of Governors has published its new seasonal index for automobile production, with the obvious caution that the new policy has not been in effect long enough to make possible anything more than rough approximations of normal seasonal behavior. This, compared with the old seasonal index, is shown in the accompanying chart. It is interesting to note that during the September-December period, on the old basis, production declined from 102.2 per cent of the average month of the year to 64.0 per cent. On the new basis, production increases from a low of 39 per cent in September to a high of 119 per cent in November.

It is important to note that the change does not result so much in a smoother trend as in a shift in the months of inactivity. To be sure, under the new seasonal, only three months are below the year's average, rather than four. On the other hand, the extraordinary reduction in September far exceeds any month's drop under the old pattern. The real difference is that the low months are moved ahead into the Fall, rather than coming in the Winter.



Seasonal Index of Automobile Production—*The advance in the date for the introduction of new models did not result so much in a smoother curve as in a shift of the peak.*

It is obvious that such a drastic change should vitally affect the total business picture. Although the automobile industry comprises less than 9 per cent of the total business of the nation, it is so closely allied with such industries as steel and rubber, that its influence is extremely great.

THE BUSINESS BOOKSHELF

BUSINESS . . . FINANCE . . . ECONOMICS . . . GOVERNMENT

IT is understandable that most books written about the depression during the recent critical years should have been more concerned with "the way out" than "the way in." Nevertheless the hard fact remains that today, almost without exception, they stand idle on their countless bookshelves. To say that their inactivity is mute testimony to half-done work is not entirely fair; they were addressed primarily to an audience which was impatient for any panacea which offered hope—an audience that would forget them successively as new promises appeared.

Yet the thought is inescapable that most of them would have been the better for completeness, and being complete might still be read. If the same authors who laboriously argued their conclusions and ingeniously devised their many programs had as carefully presented the problem, one suspects that other conclusions might have been drawn and different programs offered.

Not the least pleasant by-product of recovery is an improvement in literary fare. Messages are no longer delivered with sledge hammers. Authors who wrote away the depression have gone back to work or, writing still, are less urgent and more convincing. The others, who publish their findings with measured tread regardless of the occasion, re-emerge. One of the latter is Miss Ida Tarbell, whose *The Nationalizing of Business, 1878-1898* (Vol. IX of A History of American Life. Macmillan. 313 pages, $4) appeared recently.

Ironically her latest work would have served admirably to prepare the ground for depression books which are now lifeless. One cannot, of course, attribute a world-wide recession to a chaotic age in one country. In this sense one finds no basic causes in *The Nationalizing of Business.* But certainly the distinguishing characteristics of the depression in the United States cannot be disassociated from our heritage. The spectacular

CURRENT READING

BOOK	AUTHOR	SUMMARY
THE NEW DEAL, by editors of THE ECONOMIST. Knopf, 147 pp., $1.50.	Not only editors of the renowned British publication, but also analysts favored with a 3,500-mile perspective.	A discussion of 12 phases of the New Deal. Appraisal: "Mr. Roosevelt may have given the wrong answers to many of his problems. But he at least . . . . has asked the right questions."
INCOME IN AGRICULTURE, 1929-1935, by Dr. Robert F. Martin, National Industrial Conference Board, 186 pp., $2.50.	Director of Research N.I.C.B.; Senior Economist of the Bureau of Foreign and Domestic Commerce, 1930-1934; Director of the Department of Markets, Haiti, 1928-1930.	"It would appear that an attack on the farm problem might most reasonably be based upon different treatment of different troubles in each area, rather than a mass movement based on a theory of general agricultural debility."
HITLER OVER RUSSIA, by Ernst Henri. Simon & Schuster, 350 pp., $2.50.	Record of this journalist, writing under pen-name Ernst Henri, not available. Nationality unknown. Manuscript bought from British publisher.	Virtually inevitable, with no compromise possible, a war impends between fascism and communism which " . . . . will leave no country untouched and spare no state or group of states, no matter how isolated."
PRICES IN RECESSION AND RECOVERY, by Dr. Frederick C. Mills, National Bureau of Economic Research, 500 pp., $4.	Professor of Economics and Statistics at Columbia, author of THE BEHAVIOR OF PRICES and ECONOMIC TENDENCIES, published 1927, 1932.	Third of three studies which seek to provide a factual basis for further, more intelligent attack on the problem of economic stability, ending with a plea for lower prices for goods of elastic demand.
NEXT STEPS FORWARD IN RETAILING, by Edward A. Filene. Harper, 297 pp., $4.	Prominent, public-spirited, successful Boston merchant. Recognized as an authority on progressive merchandise practices.	"A store is a machine for selling." Scientific marketing and management must replace traditional methods; fact-finding must replace reliance on hunches and prejudices. How and why.
PROFITS AND LOSSES IN TEXTILES, by Stephen Jay Kennedy. Harper, 214 pp., $3.50.	For many years has been employed in an executive and research capacity by one of the nation's largest textile organizations.	Sub-title: COTTON TEXTILE FINANCING SINCE THE WAR. Conclusions: " . . . . the use of bonds in financing cotton mills has involved a disproportionate risk to both the creditors and the mills."
PICKING AMERICA'S POCKETS, by David L. Cohn. Harper, 250 pp., $2.75.	Mississippi importer and department store head concerned with the repercussions of the national tariff on his native South. Author of GOD SHAKES CREATION.	Sub-title: THE STORY OF THE COSTS AND CONSEQUENCES OF OUR TARIFF POLICY. "An attempt to explain some phases of the tariff and of tariff making to the average man, who pays the bills of government."
THE TRADE CYCLE, by R. F. Harrod, Oxford University Press, 244 pp., $3.75.	Lecturer in Economics at Oxford, member of the Council of the Royal Economic Society, student of J. M. Keynes.	Exposition of oversavings theory, looking toward greater stability through extensive economic research by government agencies, so that incipient weaknesses in the business structure may be corrected as they occur—by government subsidies.
WHARTON ASSEMBLY ADDRESSES University of Pennsylvania Press, 105 pp., $1.	Luther Gulick, Charles R. Gay, Lewis Douglas, Harold Ickes, Francis Biddle, Leo Wolman, Homer P. Rainey and Francis B. Sayre.	Lectures on topics of current economic or political interest, given before the Wharton School of Finance and Commerce during the 1935-1936 academic year.

prologue, the belief in destiny and another corner, the myriad bank failures, the popular acceptance of bootstrap theories—these are made more understandable by a review of the turbulent, formative 20-year period before 1898.

At the beginning of the period, Miss Tarbell shows, two courses were possible: one, to develop and to exploit the continent at all cost; the other, to achieve the maximum of development compatible with a minimum of social cost—to labor, agriculture, and natural resources. For the most part the first course prevailed. In the relentless drive for power and a national market industry, transportation and communication assumed national dimensions, winning meantime land grants, tariff protection, monopoly favors, and an 100-cent gold dollar.

In defense, labor and agriculture endeavored to organize on the same national scale and with the same haste, the farmers without lasting success. Strikes and protests effected some betterments; voluntarily industry innovated others. But they were not enough to resolve the conflict, and the forces which it generated smouldered through the Spanish-American War, destined to reappear frequently.

In the feverish expansion of those twenty years the implications for the future were plain enough. Prudently Miss Tarbell avoids underscoring them. The virtue of her work is that it is not didactic, and its value lies in illuminating the present scene through a lucid, readable account of twenty momentous but neglected years.

For Stockholders

HERE IS a fast reading, startling, non-technical book about what goes on between the lines of a corporate report. Apparently plenty goes on. Moreover *Are You a Stockholder?* by Alden Winthrop (Covici Friede, 320 pages, $2.50) is incidentally a provocative study of the financial and management policies of many of our nationally known corporations.

The volume is a timely publication, making its appearance when annual earnings are being reported in increasing numbers in the daily press and when annual corporate reports for 1936 operations are being mailed to stockholders.

The author also discusses many of the problems of accountancy which have become vehicles for management policies, problems of vital fundamental importance which here are considered for the first time from both a practical and moral point of view.

The book has a real sustained interest. It is a valuable and enlightening contribution during these days of changing ideas on what have been accepted and established modes of business procedure and operations. It will hold the interest of officers of corporations, bank officials, accountants (many of their established policies are questioned), students of business affairs, as well as of stockholders, whether the reader agrees or disagrees with the author.

LISTING 20,000,000 WORKERS FOR OLD-AGE BENEFITS

(Continued from page 15)

strips, arranged horizontally, one above the other, runs from the roller to the compartments. The shortest strips are at the bottom of the sheaf, and each strip ends over a compartment. Thus, all cards which are thrust between the same strips land in the same compartment. The electric brush and the punch-holes in the cards determine which pair of strips shall receive each card.

For alphabetic sorting, a stack of cards is first sorted into three zones according to the first letter of the surname. The first zone includes the letters from A to I, the second from J to R, and the third from S to Z, each inclusive. Each zone is then combined with corresponding zones from other stacks and sorted into one group for each of its letters.

Each first letter is then sub-divided according to the numbers in the numerical code number which was given to it by the coding section. The sorting is continued according to the letters of the first names and the first three letters in the middle name. With these repeated sortings, the fifty-five machines will arrange 600,000 cards a day.

When the actuarial cards are arranged in alphabetical order they are ready to make the alphabetic index. This index cannot be printed permanently on sheets of paper because new names will have to be inserted between old ones as new workers enter employment. The stock used, therefore, consists of flexible wood strips. These are thin horizontal strips, just wide enough to take one line of type. The wooden strips are backed with paper so that they can be fed through the printing mechanism in a continuous belt, and later separated into single line units. Immediately after the first printing they will be placed in panels and hung on rotary files. Later, when new names must be inserted, the strips will be moved apart by sliding them in the frame and the new strip inserted in its proper place.

Posting Wage Records

A record of the wages paid to each wage earner will be posted to the ledger account sheets in July, 1937, and every three months thereafter. In appropriate field offices of the Social Security Board a punch card will be prepared for each employee, showing the wages paid to him. This card, known as the account card, will also contain the number which identifies the particular employer who made the report.

These employee account cards will be sent to Baltimore as they are completed. The approximate number due from

each area will be known from the master name cards, and from past experience. As soon as 80 per cent of the cards from any one area are on hand, they will be collated with the master name cards in an automatic collating machine.

This machine compares the spelling of the name and the account number on the current earnings or account card with the same information on the master name card. If the name as punched on the current earnings card does not agree with the name on the master card, it shows that there is an error. Correct cards will be run through an alphabetic accounting machine, with the appropriate ledger account sheets. This machine will post the wages paid during that period to the employee's account. The amount of a worker's old-age benefits will be computed initially upon the total of these postings.

Checks and controls of these postings will be maintained throughout the operations. The progress of blocks of cards will be recorded by means of operation cards, as in the initial setting up of master name cards. In addition, the wages reported on individual cards will be totalled as they arrive for comparison with the transmittal sheets. Similarly, the totals for each area will be drawn off on summary cards and compared later on with the total individual postings to the individual ledger accounts. The individual employee account cards will also be collated after each posting period with the corresponding cards for the preceding period. Finally, once a year, the quarterly account cards of each employee will be automatically summarized to one card (by means of a tabulator with a punch attachment). These annual summary cards will then be posted to the individual ledger accounts. This posting will show annual totals and will verify individual postings.

All of these processes flow into one another so naturally that they conceal the months of planning which preceded them. Each operation had to be fitted to the available machinery, and subsequent operations dove-tailed in with the greatest of care.

Reviewing the flow of cards it is noteworthy that checks are interposed at every possible point to eliminate inaccuracies in copying records or in selecting cards to go through a machine. The actual sorting and copying of all records are purely mechanical processes so that errors in the chief operations are extremely unlikely.

BUSINESS BIRTHS AND DEATHS

(Continued from page 11)

and managements come and go. The fact that the compilation is based upon number of concerns rather than making an adjustment for their size, tends to exaggerate the importance of the changes to the smooth functioning of industry and trade.

Opportunities . . . . Initiative

From the broad point of view, the high rate of business turnover means that men and women are still grasping the opportunity to venture into business if they so desire. The human desire to be his own master still establishes the attaining of the proprietorship of his own concern as one of the chief ambitions of many individuals. Except in a few special lines, the starting of a business involves little formality—merely some capital, inherited, saved or borrowed. The record of business births indicates that the field of business ownership and operation is by no means closed to individual initiative.

One cannot limit his view, however, to the number of new enterprises starting out into the business world with high hopes. The record also shows nearly as many disappearances, so the complete picture is one of turnover. Some of these business deaths are cases of men wishing to retire, so the termination of ownership indicates no particular strain or stress. Some of the successions are merely the replacement of an individual proprietorship by a partnership or a corporation. Nevertheless, the bulk of the cases are unquestionably situations where the enterprise has exhausted its capital, and there is no solution except withdrawal from the business struggle.

Thus, the business structure is continuously supported by a flow of capital, the small savings of the hopeful business man and his relatives and friends. He opens up shop and carries on for a short while until his capital is exhausted. Then he is replaced by some new aspirant to permanency on the rolls of successful business enterprises. It is evident that survival of a business enterprise is in itself no mean achievement.

The Record's Significance

From the point of view of the survivors, the record has particular significance to manufacturers and wholesalers. The disappearance of a retailer may involve two types of loss to his suppliers. First, there may be an actual credit loss. The cases of bankruptcy almost inevitably indicate a loss to creditors. Many other cases are settled on a percentage basis, without the formalities of court procedure. In still others, there are no assets left worthy of pursuit.

Even if the disappearing enterprise pays its bills, however, a further cost is involved. Its successor, either direct or indirect, must be captured as a customer. The development of new customers is more expensive than the maintenance of old relationships. Customer turnover, like labor turnover, has its costs.

This is the first of several articles analyzing this new record of business births and deaths.

HAVE MERGERS BEEN SUCCESSFUL?

(Continued from page 18)

units. Their earnings since 1919 are interesting:

Earnings Rates of 49 Successful Mergers

	%		%
1919	9.87	1926	12.28
1920	8.38	1927	10.68
1921	7.40	1928	11.10
1922	8.04	1929	12.61
1923	10.20	1930	8.92
1924	9.72	1931	5.02
1925	11.41	1932	1.34

These rates compare very closely with the earnings rates of Epstein's large group of successful corporations of all types in the post-war years.[1] Clearly the standards of success in corporate existence have been met by these 30-year old mergers. This is all the more noteworthy when their greater average age is considered. It must also be stressed that of the *whole* original group of mergers, nearly half have measured up to this high standard of earnings in post-war years. The record is an outstanding one.

Is "Watered Stock" a Legend?

The careful study of company histories made necessary in completing this study of earnings over 30 or 35 years brought other conclusions. For example, it was clear that, except for a few scattering cases, "watered stock" or inflated capitalization was conspicuous by its absence. This legend of American finance is still found today in textbooks and lectures, in the face of the obvious fact that deliberate under-capitalization is the accounting fashion (or vice) of today. Again, it was clear that oppressive restraint of competition had not been the means by which these concerns had attained success, after the first few years. No. have these leaders been under attack for the use of "unfair" methods of competition by the Trade Commission, with scattering exceptions. Few had patent monopolies.

Good Management Counts

What, then, does account for their success? The same methods, by and large, which had brought success to so-called independent companies, large and small. Skillful nurturing of consumer loyalty to brands and products, effective internal control and management, adoption of the best methods of distribution and merchandising, and exploitation of the findings of a research staff, stand out as marking their careers. This has meant also that they have been socially valuable, leaders in improving quality and standards and lowering prices, and pioneers in increasing the consumer's range and breadth of choice.

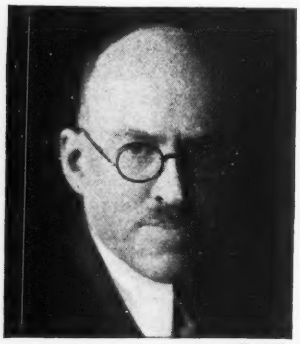
This brings us to the conclusion which should be left in the mind of the business reader who wants business history only for the worthy lessons it may teach him. The monopolistic dreams of promoters were silly, and after 1905 were thoroughly dispelled. But we should not as a result condemn the idea of merger, either as unprofitable in the business sense or socially dangerous. They may be both, under certain circumstances. But it must be recognized that large scale mergers in the right industries and under able leadership may not only be profitable to investors but highly beneficial to society at large.

[1] "Industrial Profits," National Bureau of Economic Research, 1935.

OVER THE EDITOR'S DESK

THE AUTHOR'S WHO'S WHO . . . NEXT MONTH . . . THE STATISTICAL SUPPLEMENT

WELL within the scope of a publication with the purposes outlined in Mr. Whiteside's announcement (page 5) is the article by Ralph Edward Flanders on page 7. Many of the contributions to this changed DUN'S REVIEW will tell authoritatively of the more detailed effects on company policies and management practices of specific developments or newly enacted legislation. The series, of which this is the first article, deals with broader trends, but with ideas critically important to business.



U. & U.

RALPH E. FLANDERS

With a background of New England Congregational Republicanism, Mr. Flanders' wide interests equip him well for this discussion of what is ahead. From a beginning as a machinist and draftsman, he became associate editor of "Machinery." In 1912 he went with the Jones and Lamson Machine Company as director and manager and is now its president. Among the honors that have come to him is the presidency of the American Society of Mechanical Engineers. At its December, 1935, annual meeting, he delivered the eighth Henry Robinson Towne Lecture on Engineering and Economics. He is a member of the Business Advisory Council of the United States Department of Commerce.

THE STORY of what is perhaps the biggest bookkeeping task ever undertaken (page 12) comes from one who is no stranger to the problems of organization and administration. Henry P. Seidemann, as budget technician to General Dawes, devised a uniform system of accounting and reporting for the operating services of the national government and has similarly served several States.

During the present administration, Mr. Seidemann organized the audit and disbursement of benefit payments to millions of farmers for the Agricultural Adjustment Administration. Now as Director of the Bureau of Old-Age Benefits of the Social Security Board he is undertaking a bookkeeping effort so large it just cannot be compared with the account keeping of even our largest companies.

SHAW LIVERMORE, author of "Have Mergers Been Successful?" (page 16), as Assistant Dean and Associate Professor of Economics at the University of Buffalo, School of Business Administration, has interesting responsibilities in the working out of that institution's attractive plan for business training. He is also known to students of business management as the co-author with Charles S. Tippetts of "Business Organization and Control."

"BUSINESS Births and Deaths" is the first report of the accumulation and tabulation of some 400,000 records of business changes reported during the first six months of 1936. This is a real addition to our knowledge of business vital statistics; until this work was done in the DUN & BRADSTREET Research and Statistical Division, no such material was available. The joint authors—Thorp and Rothmann—are both connected with the Division; Dr. Thorp is its Director.

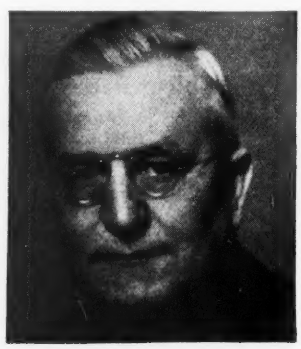
Other articles—including one in the March number—will analyze births and deaths according to more detailed industry breakdown, according to States, and according to types of business structures involved (proprietorships, partnerships, and corporations).

THE LUXURY cruise business grew up during the depression; this year nine or ten times as many people sailed from these shores on round-trip pleasure bent as did in 1929. Next month in a colorful and relaxing article, W. Adolphe Roberts presents facts and figures about this new development.

THE EDITORS have viewed with joy the interest stirred up by Dr. L. D. H. Weld's Regional Barometers (page 26). They were announced in September, but Dr. Weld and his staff had searched for months before that for the best way of overcoming an important statistical deficiency and of providing a guide for territorial sales and advertising policies.

Next month in "The New United States Trade Barometer," Dr. Weld will compare this measure of purchasing power with other measures of business conditions.

CONSTANTLY do the editors receive reminders of the importance that attaches itself to statistics which are consistently and soundly compiled and published over a long period. As this



HENRY P. SEIDEMANN

issue goes to press a letter from a lawyer requests the exact title of the Dun & Bradstreet Wholesale Commodity Price Index for use in a contract. For protection against inflation, the amount of a future payment is to depend upon this index.

This reliance on the statistics published in this magazine presented a problem when the editors sought more space for the articles on significant and timely business tendencies. Much of the detailed statistical data heretofore included in the Review is of interest to only a portion of those to whom the magazine will now go each month.

Hence there has been created the Dun's Review Statistical Supplement. It will include the detailed analyses of failures; bank clearings and building permits by cities; grain statistics; and other data long compiled and computed by Dun & Bradstreet, Inc., but hereafter only to be summarized in Dun's Review. The magazine subscription price has been $5 a year. Hereafter it will be $4. Review subscribers or users of the Dun & Bradstreet services may subscribe to the Supplement for $1 a year. The present unexpired subscriptions to the Review will be filled by sending both the Review and the Supplement.

With the changes that take effect with this issue, Dun's Review loses the distinction of being perhaps the only magazine that is published late in the month of its date line. This February number appears about a month after the December number; no issue bore a January date line

For the present the Review is not soliciting advertising; the few advertisements in this number are from advertisers of long standing.

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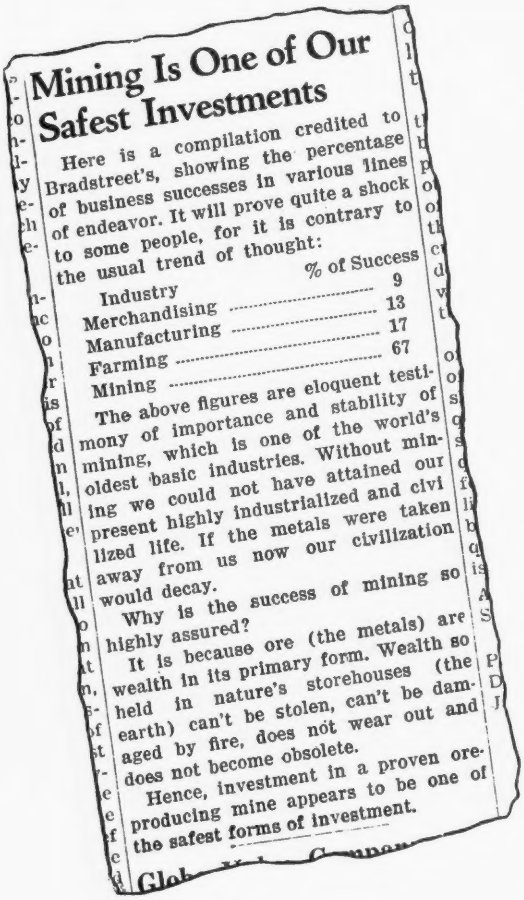
Willard L. Thorp, *Editor*; Norman C. Firth, *Managing Editor*; Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors*; J. A. D'Andrea, *Statistician*; Clarence Switzer, *Art Director*.

Subscription: $4 a year; $10 for three years; 35 cents a copy. Outside the United States $5 a year. Subscribers to Dun's Review may receive the Statistical Supplement for $1 a year; $2 a year outside the United States.



Mining Is One of Our Safest Investments

Here is a compilation credited to Bradstreet's, showing the percentage of business successes in various lines of endeavor. It will prove quite a shock to some people, for it is contrary to the usual trend of thought:

Industry	% of Success
Merchandising	9
Manufacturing	13
Farming	17
Mining	67

The above figures are eloquent testimony of importance and stability of mining, which is one of the world's oldest basic industries. Without mining we could not have attained our present highly industrialized and civilized life. If the metals were taken away from us now our civilization would decay.

Why is the success of mining so highly assured?

It is because ore (the metals) are wealth in its primary form. Wealth so held in nature's storehouses (the earth) can't be stolen, can't be damaged by fire, does not wear out and does not become obsolete.

Hence, investment in a proven ore-producing mine appears to be one of the safest forms of investment.

FACT FINDING

RECENTLY, we received a letter from the Complaint Section of the Securities and Exchange Commission, inquiring about a story published in a Seattle weekly paper, giving Bradstreet's as the authority for its extraordinary facts.

We asked our Seattle District Office Manager to call on the editor and find out where he got it. The editor said that he had noted it in various publications over a period of ten years, and claimed to have a clipping expressing the same information taken from an old issue of the Atlantic Monthly.

Further investigation showed that he may well have seen it in various publications, for the story has been in circulation for several decades. Every time that it has come to light, inquiry brings the useless information that it was a re-quotation from some other publication. And a careful examination of the back files of Bradstreet's gives no clue whatsoever, not even suggesting material which might have been misquoted to give such strange conclusions about business success.

One may suspect that the story was made up out of whole cloth by some unscrupulous promoter of mining securities many years ago, who nonchalantly attributed his fiction to Bradstreet's. How often it has been republished, no one knows. Our persistent and emphatic denials always come too late.

This is not an extraordinary incident, and investment is not the only area in which fiction may pass as fact. In these days of specialized and complex existence, all of us are increasingly dependent upon information obtained from outside sources in all fields. Many of our "facts" about business practices and processes may have become true by publication and re-publication, by telling and re-telling, rather than by actual verification.

Unfortunately, we not only must struggle with what facts mean, but we are forced to maintain an intelligent skepticism about the very facts themselves. One way is to make a practice of asking at least four simple questions:

1. How competent is the authority? I wouldn't trust a bridge built by an incompetent engineer—why should I leave my fact-finding to anybody?
2. Is there danger of bias? I don't want to depend entirely on facts gathered by someone interested in defending one side of an argument. They may not give a fair and complete picture.
3. Has the basic material been stretched? I don't want broad statements based upon too narrow a foundation. I wouldn't judge an automobile manufacturer by the record of a single car.
4. Do the facts make sense? After all, I have some familiarity with the world, and have a right to regard with special suspicion any alleged facts which conflict violently with my own common sense judgment.

Even when the facts have been captured and passed all the tests, they unfortunately will not last forever. Facts are subject to depreciation and obsolescence, and have to be replaced like all other machinery.

Finding Facts Is Not So Simple.

Willard L. Thorp.

EDITOR